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**Programme budget for the biennium 2000-2001**

**Proposed programme budget for the biennium 2002-2003**

# Administrative expenses of the United Nations Joint Staff Pension Fund

## Report of the Standing Committee of the United Nations Joint Staff Pension Board**

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** The present report was not submitted within 10 weeks of the opening of the fifty-sixth session of the General Assembly since it had to be prepared after the meeting of the Standing Committee, which was held from 9 to 13 July 2001, and restructured in the standardized form required for presentation to the Assembly.

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# I. Overview

1. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and such other organizations as might be admitted to membership. There are currently 19 member organizations; the combined number of active participants and beneficiaries now exceeds 122,500.

2. In accordance with regulations adopted by the General Assembly, the Fund is administered by the 33-member United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat of the Board and each such committee. One third of the Board members are chosen by the Assembly and the corresponding governing bodies of the other member organizations, one third by the executive heads and one third by the participants. The Board reports to the Assembly on the operations of the Fund and on the investment of its assets. When necessary, it recommends amendments to the regulations which govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled.

3. Article 15 of the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff pension Fund[1] provides that:

> "(a) Expenses incurred by the Board in the administration of these Regulations shall be met by the Fund.
>
> "(b) Biennial estimates of the expenses to be incurred under (a) above shall be submitted to the General Assembly for approval during the year immediately preceding the biennium to which the said estimates relate. Supplementary estimates may similarly be submitted in the first and/or the second year of the biennium to which the budget relates.
>
> "(c) Expenses incurred in the administration of these Regulations by a member organization shall be met by that organization."

4. The administrative expenses of the Fund are separated into three components:

(a) Administrative costs, which include the cost of salaries, related staff costs and operational costs of the Fund secretariat located in New York and Geneva, the fees charged by the consulting actuary to the Fund for actuarial valuations and other services and costs related to meetings of the Committee of Actuaries;

(b) Investment costs, which are charged against investment income and cover the fees payable to the advisers on and custodians of the investment portfolio, the cost of salaries, related staff costs and operational costs of the Investment Management Service of the Fund and costs related to meetings of the Investments Committee;

(c) Audit costs, which cover both internal and external audits related to the administrative and investment operations of the Fund.

5. The expenses of individual member organizations — which include those of local staff pension committee secretariats, the travel of their representatives from the three constituent groups to meetings of the Board and its organs and the costs of related services — are not part of the expenses charged to the Fund. Such expenses are borne by the budgets of the member organizations directly.

## II. Expenses borne by the United Nations

6. Since the Fund secretariat handles pension administration for the United Nations and serves as the local secretariat of the United Nations Staff Pension Committee, the United Nations shares in the expenses of the Fund secretariat, in accordance with arrangements agreed upon by the Fund and the United Nations, as approved by the Board and the General Assembly.

7. In its resolution 53/210 of 18 December 1998, the General Assembly approved revised cost-sharing arrangements between the United Nations and the Fund. Under those arrangements, the formula applied to determine the share of the United Nations and the Fund in the salaries and related costs of the Fund secretariat (whereby one third of the costs are borne by the United Nations and two thirds by the Fund) was extended to cover the costs of temporary assistance, auditing (internal and external) and computer services, including mainframe services provided to the Fund by the International Computing Centre (ICC) in Geneva. With respect to audit costs, the one-third/two-thirds formula applies to the proportionate share of the costs related to audits of the Fund secretariat (assumed to be 50 per cent of the total audit costs), while the costs for audits of investment operations are charged entirely to the Fund; thus, the Fund pays 83.3 per cent of the total audit costs.

8. The Fund also reimburses the United Nations for the full cost of the space occupied by the Investment Management Service in New York and two thirds of the cost of the space occupied by the Fund secretariat in New York and Geneva. The United Nations continues to provide other services to the Fund free of charge, such as staff payroll processing, personnel and procurement functions, conference services, miscellaneous supplies and certain telecommunication services.

9. Accordingly, section 1, Overall policy-making, direction and coordination, of the proposed United Nations programme budget for the biennium 2002-2003[2] provides an amount of $8,614,700 to supplement the administrative costs charged directly to the Fund, of which $5,891,700 is a charge against the United Nations regular budget and $2,723,000 is the share borne by extrabudgetary programmes (see ibid., table A.1.16). This amount is partially offset by rental charges of $2,519,900 included in income section 2, General income, of the proposed programme budget, representing the costs to the Fund for the office space occupied by the Fund secretariat in New York and Geneva and by the Investment Management Service in New York.

10. The amounts set out above were based on the staffing table, related staff costs and other expenditure items covered under the cost-sharing arrangement, as reflected in the Fund's budget for the biennium 2000-2001. They will be subject to recosting and to the cost-sharing implications for the United Nations of decisions that will be taken by the General Assembly at its fifty-sixth session on the proposals of the Standing Committee in respect of the resources required by the Fund for the biennium 2002-2003.

11. A tabular summary of the resource requirements for the Fund's administrative expenses for the biennium 2002-2003, as recommended by the Standing Committee, is provided in annex I. It identifies the resources requested in the Fund's budget and the impact for the biennium 2002-2003 on the United Nations, under the revised cost-sharing arrangements, assuming the budget proposals of the Standing Committee are approved by the General Assembly.

## III. Expenses borne by the Fund

12. The estimated expenses chargeable to the Fund for the biennium 2002-2003 (after recosting) amount to $74,322,400, as compared with the initially approved budget for the biennium 2000-

2001 of $62,301,100. The total resources requested include $29,943,800 for administrative costs, $43,405,100 for investment costs and $973,500 for audit costs (see annex II).

13. The budget estimates contained herein reflect the current standard costings and inflation assumptions used by the United Nations in its proposed programme budget for the biennium 2002-2003. The resources requested reflect the Fund's proportionate share of the administrative expenses to be borne by the Fund under the revised cost-sharing arrangements, namely: (a) two thirds (66.7 per cent) of the costs of staff and of computer services of the Fund secretariat (excluding the non-recurrent costs of the computer re-engineering project) and 100 per cent of the costs in the investment area; (b) five sixths (83.3 per cent) of audit costs; and (c) almost three fourths (73.3 per cent) of rental costs, based on the current office space provided and the cost-sharing arrangements described in paragraph 8 above. The Fund is proposing to charge the full cost of the re-engineering project to the Fund, other than recurring maintenance costs that alone will be covered by the one-third two-thirds cost-sharing arrangement. The re-engineering project is a major investment as regards the longer-term planning for the future growth of the Fund and will have a major impact on member organizations, participants and beneficiaries as regards the efficiency of the Fund. The non-recurrent costs are therefore more appropriately borne by the Fund, with the annual recurring maintenance costs of the systems being shared by the Fund and the United Nations. It should be noted that in the past, systems development and major projects of this type, such as the major changes in information technology (computerization) as a result of the implementation of recommendations made by an outside consultant in the early 1990s, were also funded only from Pension Fund resources.

14. In presenting the Fund's budget proposals, the Chief Executive Officer (CEO) of the United Nations Joint Staff Pension Fund has followed the United Nations results-based budget format to the extent possible; the proposed resource requirements for the biennium 2002-2003 are compared with the revised approved appropriations for the biennium 2000-2001. It should be noted that the revised appropriations for the biennium 2000-2001 were recosted to include the impact of changes from the initial standard costings and inflation assumptions that had been used in the approved initial appropriations for the biennium 2000-2001 (in accordance with its past practice, the Fund's budget for the biennium 2000-2001 was not recosted as at the end of 2000, as was the United Nations regular budget). The impact is reflected in the recosting column of the budget tables.

15. In paragraph 1 of resolution 46/220 of 20 December 1991, the General Assembly adopted a biennial approach to the consideration of certain agenda items of the Fifth Committee. The item entitled "United Nations pension system" was included among the items to be considered only in even-numbered years (i.e., non-budget years), with the arrangement that the review and approval of all matters related to the expenses of the United Nations Joint Staff Pension Fund, including the biennial budgets of the Fund, would be taken up by the Fifth Committee and the Assembly as a sub-item under the agenda item on the United Nations biennial programme budget.

16. The United Nations Joint Staff Pension Board adjusted its work programme pursuant to resolution 46/220, including the adoption of a two-year cycle for regular sessions of the Board. The Standing Committee of the Board meets in odd-numbered years to deal with matters delegated to it by the Board, including, in particular, the review of the proposals of the Chief Executive Officer as regards the administrative expenses of the Fund and the submission of recommendations related thereto to the General Assembly. The Standing Committee is appointed by the Board under article 4 (c) of the Regulations of the Fund and is composed of 15 members, elected on a tripartite basis from the members and alternate members of the Board or of the staff pension committees.

17. The present report is submitted by the Standing Committee following its meeting held from 9 to 13 July 2001 at United Nations Headquarters. The members, alternate members and representatives who attended the meeting are listed in annex III. The budget proposals of the Chief

Executive Officer of the Fund were submitted for consideration by the Standing Committee. The discussions in the Standing Committee on the revised budget estimates for the biennium 2000-2001 and on the budget estimates for the biennium 2002-2003 are summarized in annex IV; and the discussions on related upcoming projects with major budgetary implications are summarized in annex V. An organization chart for the Fund that reflects the structure and staffing proposals made by the Chief Executive Officer to the Standing Committee, is included in annex VI.

18. Although the Standing Committee dealt with a number of matters related to the administration and operation of the Fund, in accordance with General Assembly resolution 46/220, it reports herein only on: (a) the revised budget estimates for the biennium 2000-2001; (b) the proposed programme budget for the biennium 2002-2003; and (c) the authorization for contributions to the Emergency Fund. For information purposes, statistics on the operations of the Fund for 1995 to 2000 are included in annex VII.

## IV. Revised budget estimates for the biennium 2000-2001

Table 1
**Revised estimates for the biennium 2000-2001 by object of expenditure**
(Thousands of United States dollars)

| *Object of expenditure* | *(1) Approved appropriation* | *(2) Change Increase (decrease)* | *(3) (1+2) Revised estimate* |
|---|---|---|---|
| **Administrative costs** | | | |
| Posts | 12 127.0 | - | 12 127.0 |
| Other staff costs | 846.2 | - | 846.2 |
| Travel | 210.1 | 4.0 | 214.1 |
| Contractual services | 2 832.8 | 592.0 | 3 424.8 |
| General operating expenses | 1 641.5 | - | 1 641.5 |
| Furniture and equipment | 853.0 | - | 853.0 |
| **Subtotal** | **18 510.6** | **596.0** | **19 106.6** |
| **Investment costs** | | | |
| Posts | 5 639.4 | - | 5 639.4 |
| Other staff costs | 119.4 | 115.8 | 235.2 |
| Travel | 870.5 | - | 870.5 |
| Contractual services | 34 291.0 | (4 087.7) | 30 203.3 |
| General operating expenses | 1 172.7 | 43.0 | 1 215.7 |
| Supplies and materials | 547.8 | 176.0 | 723.8 |
| Furniture and equipment | 351.9 | 58.0 | 409.9 |
| **Subtotal** | **42 992.7** | **(3 694.9)** | **39 297.8** |
| **Audit costs** | 797.8 | - | 797.8 |
| **Total** | **62 301.1** | **(3 098.9)** | **59 202.2** |

19. In section V of its resolution 54/251 of 23 December 1999, the General Assembly approved appropriations for the biennium 2000-2001 amounting to $62,301,100 chargeable to the Fund. This amount comprised $18,510,600 for administrative costs, $42,992,700 for investment costs and $797,800 for audit costs.

20. These appropriations were reviewed further, taking into account actual expenditures during 2000, current expenditure trends and additional needs. Additional resources in the amount of $596,000 are requested under administrative costs for phase 1 of the re-engineering project, as detailed below, and savings of $3,694,900 are realized under investment costs. Thus, net savings of $3,098,900 may be realized against the approved appropriations of $62,301,100 for the Fund as a whole. The consequent revised estimates would be $59,202,200, comprising $19,106,600 for administrative costs, $39,297,800 for investment costs and $797,800 for audit costs.

## A. Administrative costs

21. At its session held in July 2000, the Pension Board requested the Chief Executive Officer to proceed with phase 1 of the Fund's re-engineering project within existing resources, to the extent possible, and indicated that the need for additional resources should be reassessed by the Standing Committee in 2001.

22. It is to be recalled that phase 1, consisting of short-term initiatives, was to consist of strategic planning, project planning, functional requirements and the development of a request for proposal. The activities and tasks were expected to provide the "blueprint" for the specific technology to be used for the automation of pension information and transactions, including reporting and security requirements. The blueprint was to address, inter alia, web-based reporting modules, web-based benefit estimates, data collection and system updates, online workflow, pension communication systems and Web page enhancements. The Chief Executive Officer had estimated that $980,000 would be required to support phase 1 of the project, which would include $500,000 for contractual services for consultants, $200,000 for the services of a programmer and a telecommunications expert, $200,000 for hardware and software and $80,000 for travel, Internet fees and supplies.

23. Information on the work undertaken in phase 1 of the re-engineering project and the proposals being made as to the implementation of phase 2 are provided in annex IV, section B. The total cost of the work undertaken for phase 1 was $596,000, which cannot be absorbed from within the Fund's administrative costs but which can be absorbed against the savings realized in investment costs. In that respect, two consultancy contracts were awarded for: (a) a detailed discovery and initial design study that focused mainly on identifying processes that, once automated, would provide the greatest operating efficiencies and quality-of-service improvements ($200,000); and (b) a strategic technology assessment study focused mainly on defining requirements and designating the technology infrastructure necessary to meet the Fund's strategic information technology objectives, which are closely aligned with the re-engineering study ($296,000). In addition, an amount of $96,000, representing approximately 960 hours of consultancy work related to the programming and $4,000 for the travel of two persons to Geneva for five working days, was required.

24. Accordingly, and as agreed upon by the Standing Committee, $592,000 under contractual services and $4,000 under travel is required, totalling $596,000.

## B. Investment costs

25. After careful review of the initial appropriations, taking into account the actual costs during 2000, current expenditure trends and future needs during 2001, additional resources of $492,800 are being requested, although the total revised estimates for the Fund as a whole, excluding the cost of established posts, will reflect a net savings of $3,694,900. This consists of savings totalling $4,187,700 ($4,125,200 from advisory and custodial services and $62,500 from investment consultants) and the need for additional resources amounting to $492,800 on other items, including $100,000 recommended by the Standing Committee for a feasibility study to be carried out on developing a required new investment accounting system by utilizing the Fund's accounting system, continuing with the services of the master record keeper or a possible combination of both approaches.

### Other staff costs

26. An additional amount of $115,800 is requested, consisting of an increase in temporary assistance ($43,800), overtime ($37,800) and training ($34,200).

27. As a result of changes in arrangements with custodians and the master record keeper and the requirement to replace the investment accounting system, which was not year-2000-compliant, there were considerable delays in setting up the general ledger. The new master record keeper, who agreed to carry out the functions of the general ledger on a temporary basis pending the replacement of the Investment Management Service internal investment accounting system, also experienced delays in setting up the accounts according to United Nations requirements. Accordingly, the initial appropriation has been exceeded, and more resources will be needed to meet the established deadlines. An additional 24 weeks of temporary assistance will be needed during 2001.

### Contractual services

28. A net savings of $4,087,700 is estimated to be realized under this heading. The amount of $30,203,300 includes $29,996,800 in advisory services (regular and small capitalization accounts) and custodian and master record keeper fees, $106,500 for investment consultants and $100,000 for a feasibility study on the acquisition of a new investment accounting system. The net saving of $4,087,700 in advisory and custodial fees results from the following factors:

(a) Adjustments made when the current contracts were negotiated in January 2000 are expected to result in a net saving of $2,100 for the biennium 2000-2001. Regular advisory fees are based on flat fees for the duration of the contracts, which will expire on 31 December 2001;

(b) While major changes in fees occurred in some of the small capitalization accounts whose market value increased substantially and resulted, in some cases, in a doubling of fees, negotiations that took place after the approval of the budget for the biennium 2000-2001 are expected to result in savings of approximately $437,300 by the end of the biennium. These revised estimates have taken into account an expected growth in the market value of about 8 per cent when the contracts are further negotiated;

(c) The custodian and master record keeper fees were also negotiated after the biennial budget for 2000-2001 had been approved. The initial appropriations provided for fees based on the market value of the assets and on the volume of the transactions, which were all variable. The fees that were eventually negotiated were based on unbundled flat dollar amounts, resulting in expected savings of $3,685,800 for the biennium 2000-2001.

(d) Based on current expenditure trends, the provision for investment consultants may be reduced by $62,500;

(e) An additional $100,000 would be needed for the feasibility study recommended by the Standing Committee for developing a new investment accounting system.

**General operating expenses**

29. The increase in resources requested, amounting to $43,000, relates to communication services ($33,000) and miscellaneous supplies and services ($10,000).

30. In order to access data from the financial systems, users have to pay a fee directly to subcontractors in addition to fees paid to service providers. An increase of $2,000 is required for the use of these services. In order to improve the speed of delivery of data from outside sources used by the Investment Management Service, it was necessary to upgrade the servers and install new cables. This amounted to an additional $25,000. The cost of the cable for the Internet connection has doubled (from $12,240 to $24,480 a year). In order for staff to be able to communicate with the office while travelling, it was necessary to acquire service with an Internet provider with worldwide services at an additional cost of $6,000.

31. Additional resources of $10,000 are requested for the mailing of documentation.

**Supplies and materials**

32. An additional amount of $176,000 is required to provide online financial market information used by the investment staff in making investment decisions. Because of the continued volatility of the financial markets, it was necessary to acquire six additional service licences for the investment staff so that they could intensify the monitoring of the portfolios on a daily basis. This will enable investment staff to identify and take advantage of unusual market movements and to get information on companies or other news that affects the financial markets. The key element of an investment process is the ability to identify investment opportunities ahead of competitors and act before them and to take advantage of their mistakes.

**Furniture and equipment**

33. The increased resource requirement of $58,000 is related to the acquisition of data-processing equipment. The major increase in equipment is due to the upgrading of a server that is used for transferring reports from hard copy to compact disk for easy access.

# V. Budget estimates for the biennium 2002-2003

Table 2
**Requirements by component**
(Thousands of United States dollars)

| *Component* | *1998-1999 expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|---|
| | | | *Amount* | *Percentage* | | | |
| A. Administrative costs | 16 403.2 | 18 510.6 | 10 015.5 | 10.7 | 28 526.1 | 1 417.7 | 29 943.8 |
| B. Investment costs | 37 011.9 | 42 992.7 | (395.0) | -0.9 | 42 597.7 | 807.4 | 43 405.1 |
| C. Audit costs | 531.8 | 797.8 | 97.1 | 11.7 | 894.9 | 78.6 | 973.5 |
| **Total** | **53 946.9** | **62 301.1** | **9 717.6** | **2.7** | **72 018.7** | **2 303.7** | **74 322.4** |

Table 3
**Post requirements**

| Category | Established regular budget posts | | Temporary posts: Regular budget | | Temporary posts: Extrabudgetary | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 |
| *Administrative* | | | | | | | | |
| **Professional and above** | | | | | | | | |
| ASG | 1 | 1 | | | – | – | 1 | 1 |
| D-1/2 | 3 | 3 | | | – | – | 3 | 3 |
| P-1/5 | 32 | 36 | 1 | 3 | – | – | 33 | 39 |
| **Subtotal** | **36** | **40** | **1** | **3** | **–** | **–** | **37** | **43** |
| **General Service** | 77 | 86 | 3 | 2 | – | – | 80 | 88 |
| **Total** | **113** | **126** | **4** | **5** | **–** | **–** | **117** | **131** |
| *Investment* | | | | | | | | |
| **Professional and above** | | | | | | | | |
| D-1/2 | 1 | 1 | – | – | – | – | 1 | 1 |
| P-1/5 | 11 | 11 | – | – | – | – | 11 | 11 |
| **Subtotal** | **12** | **12** | **–** | **–** | **–** | **–** | **12** | **12** |
| **General Service** | 20 | 20 | – | – | – | – | 20 | 20 |
| **Total** | **32** | **32** | **–** | **–** | **–** | **–** | **32** | **32** |

**Reflection of administrative costs in the actuarial valuations of the Fund**

34. The resources requested to cover administrative costs in the biennium 2002-2003 amount to $29,943,800, including resource growth of $10,015,500, of which 10.7 per cent is real growth (i.e., excluding non-recurrent costs), at 2002-2003 rates. The administrative costs represent approximately 0.27 per cent of the estimated total pensionable remuneration for the biennium 2002-2003. The corresponding percentage for the administrative costs for the 2000-2001 biennium was approximately 0.24 per cent.

35 In its report to the Pension Board in 1998, the Committee of Actuaries had recommended that the administrative costs of the Fund be included in the actuarial valuations not as a fixed percentage of pensionable remuneration, but rather at the level of resources actually required for the administration of the Fund, as reflected in its approved budgets. The recommendation had been made on the basis of the fact that the Fund was maturing, and administrative expenses were expected to increase as a percentage of pensionable remuneration.

36. At its fortieth session, in June 2001, the Committee of Actuaries agreed that the provision to be included in the next actuarial valuation should be based on one half of the approved budget for the biennium 2002-2003, divided by the total pensionable remuneration as at 31 December 2001.

## A. Administrative costs

**Resource requirements (before recosting): $28,526,100**

37. The administrative costs relate to all the services and activities required on behalf of participants and beneficiaries of the Fund, the financial management of the contributions made on behalf of the active participants and payments made to beneficiaries, the information system support provided to those endeavours and the administrative services provided by the Executive Office to both the administrative and investment areas of the Fund (i.e., personnel, finance, budget and general administration).

38. The activities and programmes under administrative costs for the forthcoming biennium are as follows:

(a) Executive direction and management: Office of the Chief Executive Officer;

(b) Programme of work for operational services:

(i) Office of the Chief of Operations:

a. Pension entitlements;

b. Financial services;

(ii) Office in Geneva;

(c) Programme support services:

(i) Information management systems;

(ii) Executive Office.

Table 4
**Resource requirements: administrative costs**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| Post | 12 127.0 | 13 339.0 | 113 | 126 |
| Non-post | 6 383.6 | 15 187.1 | – | – |
| **Total** | **18 510.6** | **28 526.1** | **113** | **126** |

39. The amount of $28,526,100 covers 126 posts and various non-post expenditures related to non-staff compensation, the travel of representatives, travel of staff and contractual services. The increases in posts, and for the most part, in non-post expenditures as well, are related to the Fund's re-engineering project. At its session in 2000, the Pension Board requested the Chief Executive Officer to further develop the concepts presented to the Board at that session related to computer systems, process re-engineering and technical improvements. The Fund proposes establishing automated exchanges of personnel action data between the Fund's computer systems and those of member organizations as a means of improving the quantity and quality of transactions processed. The electronic exchange of information between the Fund and its member organizations, as well as with participants and beneficiaries, would be the key to effecting major efficiencies. Details of the concepts and implementation phases are provided in annex V.

## B. Investment costs

**Resource requirements (before recosting): $42,597,700**

40. Under article 19 of the Regulations of the Pension Fund, the Secretary-General of the United Nations has the fiduciary responsibility for the investments of the Fund. The Under-Secretary-General for Management serves as the designated representative of the Secretary-General, assisted by the Investment Management Service, which is responsible for managing the investments of the Fund. The Service is headed by a director, who reports directly to the representative of the Secretary-General.

41. The investment operations relate to the services and activities required to realize the goals and long-term objectives of the Fund, namely: (a) to preserve the principal of the Fund in real terms; (b) to obtain optimal investment returns while avoiding undue risk; and (c) to diversify the portfolio with respect to asset type, currency and geography. To those ends, efficiency and effectiveness require thorough research of investment opportunities worldwide and the ability to obtain accurate and reliable information quickly in order to facilitate decision-making in an environment of rapid change in the financial markets; the maintenance of comprehensive and accurate accounting records and the production of high-quality reports; the acquisition of up-to-date and efficient technology relevant to the investment industry; and the upgrading and/or replacement of systems (such as servers) in order to communicate effectively with the financial community. More detailed information is provided under the various activities covered under the investment costs component.

42. The activities and programmes under investment costs for the forthcoming biennium are the following:

(a) Executive direction and management;

(b) Programme of work for management of investments:

(i) Investments;

(ii) Operations Section and cash management;

(c) Programme support: information systems.

Table 5
**Resource requirements: investment costs**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| Post | 5 639.4 | 5 675.5 | 32 | 32 |
| Non-post | 37 353.3 | 36 922.2 | – | – |
| **Total** | **42 992.7** | **42 597.7** | **32** | **32** |

43. The amount of $42,597,700 covers 32 posts and various non-post expenditure related to non-staff compensation, travel of representatives, travel of staff and contractual services. The increase in costs related to posts relates to the reclassification of one General Service (Other level) post to the Principal level. The net decrease in non-post expenditure reflects expected savings in advisory and custodial fees whereby payments are based on flat fees that do not fluctuate with the market value of the assets.

## C. Audit costs

**Resource requirements (before recosting): $894,900**

44. The audit costs relate to the internal and external auditing of the administrative operations of the Fund secretariat and the investment operations of the Investment Management Service. Based on past experience and indications provided by the Fund's external auditors, about half of the audit costs (both internal and external) relate to administrative operations and half relate to the investment activities. Furthermore, one third of the audit costs of the Fund's administrative operations (i.e., 16.7 per cent of the total) is borne by the United Nations under the cost-sharing arrangement.

Table 6
**Resource requirements: audit costs**

| | *Resources (thousands of United States dollars)* | |
|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* |
| Non-post | 797.8 | 894.9 |
| **Total** | **797.8** | **894.9** |

45. The amount of $894,900 covers non-post expenditure related to external auditing, as indicated by the United Nations Board of Auditors, and internal audit costs, based on resource requirements that were discussed by the Fund's Chief Executive Officer and the Under-Secretary-General for Internal Oversight Services. The increase was adjusted to take into account the 16.7 per cent share of such costs that would be borne by the United Nations under the cost-sharing arrangement.

# VI. Programme of work for the biennium 2002-2003

## A. Administrative costs

Table 7
**Resource requirements by component**

| Category | Resources (thousands of United States dollars) 2000-2001 | 2002-2003 (before recosting) | Posts 2000-2001 | 2002-2003 |
|---|---|---|---|---|
| 1. Executive direction and management | 2 880.0 | 3 593.6 | 7 | 7 |
| 2. Programme of work for operational services | | | | |
| (a) Office of the Chief of Operations | 370.2 | 370.2 | 2 | 2 |
| (b) Pension Entitlements Section | 2 960.7 | 2 960.7 | 34 | 34 |
| (c) Financial Services Section | 2 866.2 | 2 866.2 | 29 | 29 |
| (d) Geneva office | 2 341.5 | 2 723.6 | 15 | 21 |
| **Subtotal** | **8 538.6** | **8 920.7** | **80** | **86** |
| 3. Programme support services | | | | |
| (a) Information Management Systems Section | 6 535.9 | 15 455.7 | 21 | 28 |
| (b) Executive Office | 556.1 | 556.1 | 5 | 5 |
| **Subtotal** | **7 092.0** | **16 011.8** | **26** | **33** |
| **Total** | **18 510.6** | **28 526.1** | **113** | **126** |

### 1. Executive direction and management

**Resource requirements (before recosting): $3,593,600**

46. The Office of the Chief Executive Officer of the Fund is responsible for the overall direction, supervision and management of all the administrative activities of the Fund secretariat as well as for all policy and legal matters, including the setting of overall policy guidelines for the Fund secretariat. The development of an organizational culture that is responsive and results-oriented will be an essential part of the Fund's business approach, and the Office of the Chief Executive Officer has prepared a framework for action in that regard that includes a restructuring of the Fund secretariat's organizational structure. Paramount consideration is to be given to ways and means of reinforcing the Fund's attention to its clients and to management methods aimed at improving their satisfaction.

47. The Chief Executive Officer also serves as Secretary of the Pension Board, its Standing Committee, the Committee of Actuaries and the United Nations Staff Pension Committee and is responsible for the organization and servicing of those bodies, as well as for documentation.

Table 8
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective 1: To ensure that the United Nations Joint Staff Pension Fund is managed smoothly, responsibly and effectively with a strong commitment to client service.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| Uniform compliance with clearly defined overall policies and guidelines, including maintenance of internal controls through the establishment of a management performance reporting system. | (i) All clients are serviced in a timely and accurate manner;<br>(ii) Management will be able to anticipate potential bottlenecks. |

**Objective 2: To ensure provision of the highest quality technical and administrative support by the Fund secretariat to the United Nations Joint Staff Pension Board and the Committee of Actuaries.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| (a) Timely presentation of high-quality documents and studies for the Board and the Committee, which would include recommendations for action by the General Assembly. | (a) General Assembly acceptance and approval of recommendations made, based on the technical analysis provided. |
| (b) Servicing of the Board and the Committee. | (b) Satisfaction with the level, quality and timeliness of the administrative and substantive support provided. |

**Objective 3: Acceptance of legal and policy advice by various entities as regards pension issues.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| (a) Application of advice on the Administrative Tribunal regarding judgements. | (a) The number of cases successfully defended by the Fund. |
| (b) Interpretations of the rules and regulations of the Fund are appropriately understood. | (b) Satisfaction of member organizations, participants and beneficiaries with the explanations. |

**External factors (related to the Programme as a whole)**

48. The United Nations Joint Staff Pension Fund is expected to achieve its objectives and accomplishments during the biennium provided that the necessary cooperation as regards the re-engineering project is provided by member organizations.

**Outputs**

49. During the biennium 2002-2003, the following specific outputs will be delivered in respect of the Office of the Chief Executive Officer, in addition to the day-to-day executive direction of the administrative and operational work of the Fund secretariat:

(a) Servicing of intergovernmental and expert bodies:

(i) Substantive servicing of meetings. Two meetings of the Committee of Actuaries, one Pension Board session, two Standing Committee meetings and approximately eight meetings of the United Nations Staff Pension Committee;

(ii) Parliamentary documentation. Approximately 35 documents for the Committee of Actuaries, 30 for the Pension Board and 25 for the Standing Committee, reports of the Board and Standing Committee to the General Assembly and, as required, papers to the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee;

(b) Legal, administrative and communication support:

(i) Respond to internal and external audit observations, management letters and other audit reports;

(ii) Provide the Fund's response to appeals against the Fund submitted to the United Nations Administrative Tribunal (about 2 or 3 cases annually);

(iii) Provide responses to participants and beneficiaries and/or their lawyers who question legal and other interpretations made by the Chief Executive Officer as regards pension entitlements or other pension-related issues;

(iv) Prepare papers for the United Nations Staff Pension Committee and/or Standing Committee on disability cases (about 50 new awards and 100 reviews of disability benefits annually) and on appeals against decisions taken by the Chief Executive Officer or by staff pension committees (4 or 5 per year);

(v) Respond to representations made by Governments, organizations, staff representatives, individuals and so on concerning application for membership, operational activities, provisions of the United Nations pension system, transfer agreements, and the like;

(vi) Prepare materials for and participate in briefing sessions on pensions for pre-retirement programmes and on visits to offices of the member organizations, retiree associations, other pension funds, and so on;

(vii) Provide assistance, as appropriate, to staff pension committees and their secretariats.

Table 9
**Resource requirements: executive direction and management**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| Post | 1 063.4 | 1 063.4 | 7 | 7 |
| Non-post | 1 816.6 | 2 530.2 | - | - |
| **Total** | **2 880.0** | **3 593.6** | **7** | **7** |

50. The amount of $1,063,400 would provide for the continuation of seven posts. It also includes other staff costs for the Fund at large, travel of staff and of the Committee of Actuaries, contractual services, general operating expenses, rental of premises and hospitality. The increase for non-post items is primarily for general temporary assistance for the re-engineering project in the pension entitlements area, travel for the Chief Executive Officer and staff to visit other duty stations and pension funds for training and benchmarking, and rental of premises and general operating expenses for additional office space and the expansion of the computer room in New York.

## 2. Programme of work for operational services

### (a) Office of the Chief of Operations

**Resource requirements (before recosting): $370,200**

51. The Office of the Chief of Operations, reporting directly to the Chief Executive Officer, is responsible for the direction, supervision and management of the Pension Entitlements and Financial Services Sections in New York and recommending the overall policy direction of the operations of the Fund with respect to those areas. At present it is also responsible for supervision and management of the Information Management Systems Section. The main thrust for the Office for the forthcoming biennium will be to improve outreach to participants, beneficiaries and member organizations.

Table 10
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective: To ensure that participants, beneficiaries and member organizations are adequately and accurately serviced.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| Increased understanding and awareness of entitlements, policies and procedures. | Fewer errors in documentation with respect to pension issues. |

**Outputs**

52. During the biennium 2002-2003, the following outputs will be delivered to constituencies as follows:

(a) Member organizations:

(i) Follow up on incomplete documentation to process cases in a proactive manner;

(ii) Provide informational material to field offices;

(iii) Organize the Fund's budget proposals and ensure that the Fund's re-engineering project is fully understood;

(b) Participants:

(i) Provision of induction courses in member organizations;

(ii) Holding of training seminars on pension issues;

(iii) Simplification of forms and materials;

(c) Beneficiaries:

(i) Outreach activities to organizations members of the Association of Former International Civil Servants and the Federation of Associations of Former International Civil Servants on issues of importance;

(ii) Replying to all correspondence within three weeks of its receipt;

(d) United Nations Joint Staff Pension Board: the -development, with the assistance of internal and external auditors, of appropriate internal controls within the Fund and dissemination of policy to the Board;

(e) Operations staff:

(i) Work with staff and auditors to develop security in operations, appropriate internal controls and risk management;

(ii) Improve and reinforce client orientation attitudes by organizing training and encourage teamwork culture and creative thinking;

(iii) Streamline the method of organizing work plans and performance appraisals to ensure consistency of application.

Table 11
**Resource requirements: Office of the Chief of Operations**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| Post | 370.2 | 370.2 | 2 | 2 |
| **Total** | **370.2** | **370.2** | **2** | **2** |

53. The amount of $370,200 would provide for the continuation of two posts.

**(b) Pension entitlements Section**

**Resource requirements (before recosting): $2,960,700**

54. The Pension Entitlements Section is responsible for, inter alia, applying the regulations and administrative rules of the Fund to individual cases with respect to participation in the Fund, establishing all initial benefits and entitlements and any necessary revisions thereto, processing retroactive entry into the Fund involving actuarial costs, and applying the provisions of the transfer agreements to transfer pension rights from the Fund to the pension plans of non-member international organizations or of national Governments and vice versa. It services the headquarters and field offices of the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF), United Nations Headquarters, including peacekeeping missions, the Economic Commission for Latin America and the Caribbean, the Economic and Social Commission for Asia and the Pacific and agencies not serviced by the Geneva office.

55. For the forthcoming biennium, the Section will concentrate on reducing the backlog of cases (related primarily to following up on outstanding cases), on developing specifications for the re-

engineering project and for the further computerization of manual cases and on providing further assistance to the decentralized offices of UNDP and UNICEF.

Table 12
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective 1: To improve the processing of participants and benefits using available technology.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| Computerization to the extent possible of cases now primarily calculated manually (in coordination with the Geneva office). | Standardization of calculations for the majority of cases, thus ensuring equity in treatment of beneficiaries. |

**Objective 2: Reduce the backlog of withdrawal settlements and periodic benefits, including survivor benefits.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| Timely receipt of all benefits. | Reduction of backlog. |

**Outputs**

56. During the biennium 2002-2003, the following outputs will be delivered:

(a) Inter-agency coordination and liaison: cooperate with the member organizations of the Fund regarding pension queries and entitlements, including holding briefing and training sessions with staff members to explain pension issues, procedures and reporting responsibilities and assist in the preparation of information, data and analysis for use in Fund communications and documents issued to member organizations, participants and beneficiaries;

(b) Administrative support services:

(i) Benefit processing. Process all initial pension benefits and entitlements upon the separation from service or the death of a participant or beneficiary, as well as disability benefits; process pension entitlements under the two-track pension adjustment system when proof of residence outside the United States is provided; prepare estimates upon request to participants of their future entitlements and options, including withdrawal settlements, transfer of pension accrual for application of transfer agreements, etc.; and recalculate benefits whenever retroactive changes are made in the status or pension record of the participant or beneficiary, e.g., in pensionable remuneration, date of separation, periods of leave with or without pay, termination of a child's benefit, etc.;

(ii) Prepare replies to communications received from participants and beneficiaries, as well as from the administrative personnel of member organizations;

(iii) Determine cost-of-living differential factors for establishing local currency track pensions in respect of countries whose post adjustment levels were higher at the time of separation than that at the base of the system, namely, New York;

(iv) Prepare reports on the status of benefit processing for monthly distribution to member organizations;

(v) Provide pension and retirement information to visitors and callers on retirement-related issues such as after-service health insurance premium deductions, general procedures, etc.;

(vi) Enrol participants in the Fund and update their status throughout their careers and verify and approve the transfer of pension rights from the Fund to the pension plans of non-member international organizations or of national Governments and vice versa;

(vii) Determine entitlements to restore or validate previous periods of service;

(viii) Monitor and effect actions related to the verification, release or suspension of benefits;

(ix) Review and process requests for assistance from the Emergency Fund; review, verify and modify as necessary changes in the country of residence;

(x) Update, as required, the name and address file of beneficiaries;

(xi) Review entitlement to (authentication of survivors' legal status and documentary evidence) and process survivor and/or other benefits following the death of the beneficiary.

Table 13
**Significant workload indicators**

| *Indicator (number)* | *2000-2001 (average per annum)* | *2002-2003 (average per annum, estimated)* |
|---|---|---|
| Participants administered | 49 308 | 53 000 |
| Withdrawal settlements, residual settlements and transfers processed | 3 382 | 3 500 |
| Pension benefits processed | 1 308 | 1 400 |
| Revisions of benefits processed | 1 054 | 1 054 |
| Recalculations of benefits processed | 1 188 | 1 500 |
| Estimates processed | 1 784 | 2 000 |
| Validations processed | 616 | 1 000 |
| Restorations processed | 336 | 500 |
| Changes processed in participants' PENSYS[a] records | 120 045 | 140 000 |
| Changes of addresses implemented | 2 748 | 3 500 |

[a] United Nations Joint Staff Pension Fund Administration System.

Table 14
**Resource requirements: Pension Entitlements Section**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| Post | 2 960.7 | 2 960.7 | 34 | 34 |
| **Total** | **2 960.7** | **2 960.7** | **34** | **34** |

57. The amount of $3,960,700 would provide for the continuation of 34 posts. Additional general temporary assistance (shown under the Office of the Chief Executive Officer) would permit a reduction in the backlog of cases, thus assisting in the reduction of the processing time of benefits. Temporary assistance will also be utilized to replace staff working on the specifications and design of the re-engineering project.

(c) **Financial Services Section**

**Resource requirements (before recosting): $2,866,200**

58. The Financial Services Section is responsible for the accounting, payment and cashiering functions (disbursements) related to participants and beneficiaries and ensures the proper provision of financial information to them. It is also responsible for the financial statements of the Fund and the year-end reconciliation of participant data and contributions and for monitoring the receipt of monthly contributions from the member organizations, as well as all receivable and payable records for beneficiaries and organizations (including after-service health insurance). The Section also coordinates and oversees changes from previous accounting and disbursement systems to new systems and reviews and modifies the payment and banking procedures.

59. In the forthcoming biennium the Section will concentrate on conducting a comprehensive global banking review, developing a procedures manual, carrying out bank account reconciliations in a more timely manner and reducing the outstanding participant reconciliation exceptions that presently hinder the timely processing of benefits.

Table 15
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective 1: To ensure that global banking arrangements meet the requirements of the Fund and of beneficiaries.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| Better banking arrangements for beneficiaries. | Satisfaction of the United Nations Joint Staff Pension Fund and its beneficiaries with banking arrangements. |

**Objective 2: To ensure the full application of financial procedures in the payments, accounts and cashier areas.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| Increased understanding and awareness of financial procedures in the three areas. | Increase in the number of staff able to apply that knowledge. |

**Outputs**

60. During the biennium 2002-2003, the following outputs will be delivered:

(a) Published material. Annual and biennial financial statements of the Fund for review by the Pension Board, the Standing Committee and the General Assembly, and periodic (mostly monthly) management reports;

(b) Improvements in operating procedures and service costs, including:

(i) Review and revision of payment and banking procedures, as well as current banking agreements, with a view to reducing costs and improving service;

(ii) Development of financial procedures to correlate with the new financial systems;

(c) Administrative support services:

(i) Accounts. Administer and control Fund activities related to the receipt and recording of contributions (from participants and member organizations) and pensionable service; maintain accounting records; coordinate and review activities with the introduction of new computer systems; and administer and control all accounting activities of the Fund;

(ii) Payments. Process and control monthly pension payroll and miscellaneous payments, which will entail the implementation of revised payment systems and controls as well as the approval and certification of payments, other financial transactions and documents; recover overpayments, involving the analysis of each case, review of the payroll issues and submission of recommendations on the amount and timing for recovery; and process periodic adjustments of pensions in award according to the provisions of the two-track pension adjustment system, and respond to queries related thereto;

(iii) Cashier. Direct and control the treasury activities, cash flow and cash management, which entails developing and implementing effective systems for international currency transactions and payments (including full implementation of new systems); issue, authorize and effect disbursements and resolve non-receipt or bank-reject claims; assure that the monthly payroll is fully funded in the required currencies; advise on changes in banking policy and practice; and negotiate with banks on services and costs.

Table 16
**Significant workload indicators**

| *Indicator* | *2000-2001 (estimates based on 2000 actual figures and 2001 projections)* | *2002-2003 (estimates)* |
|---|---|---|
| Value of automated payroll payments (millions of United States dollars) | 1 500 | 1 650 |
| Value of non-fully automated payments (millions of United States dollars) | 450 | 500 |
| Number of changes in payment instructions | 13 000 | 12 000 |
| Number of payment non-receipt or delay queries | 1 570 | 1400 |
| Number of cheque returns | 240 | 200 |
| Number of payment corrections | 1 680 | 1 600 |
| Number of corrections of pensionable remuneration errors as reported by organizations | 7 000 | 8 000 |
| Number of bank reconciliation items | 1 500 | 1 500 |

Table 17
**Resource requirements: Financial Services Section**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| Post | 2 866.2 | 2 866.2 | 29 | 29 |
| **Total** | **2 866.2** | **2 866.2** | **29** | **29** |

61. The amount of $2,866,200 would provide for the continuation of 29 posts.

**(d) Geneva office**

**Resource requirements (before recosting): $2,723,600**

62. The Geneva office is the focal point for contacts between the Fund and the European-based, African and Middle Eastern member organizations of the United Nations Joint Staff Pension Fund and for coordination with and provision of assistance to, as necessary, the respective staff pension committees of the relevant agencies. It also provides pension services to the United Nations Office at Geneva, including the Office of the United Nations High Commissioner for Refugees and its field offices. The Chief of the Geneva office advises the Chief Executive Officer on pension matters, particularly in respect of issues affecting the Fund's European operations, reporting directly to the CEO and maintaining close liaison with the Chief of Operations. The office is responsible for the determination of benefits (periodic pension lump-sum commutation, withdrawal and residual settlements and death benefits) for the offices serviced.

63. In the biennium 2002-2003, the office will develop its commitment to process benefits in an average of 15 calendar days from the receipt of the last document. The office will also be responsible for the Fund's new communication strategy vis-à-vis the Fund's various clients and within the Fund itself and for promoting exchanges with other international pension funds, such as those of the North Atlantic Treaty Organization, the European Organization for Nuclear Research, the Organisation for Economic Cooperation and Development and the European Union.

Table 18
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective 1: To increase awareness and understanding of activities of the Fund.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| Improved dissemination of information. | Increased understanding and customer satisfaction with pension issues. |

**Objective 2: To ensure that service to clients of the Fund in Europe, the Middle East and Africa is improved.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| Increased understanding and awareness of entitlements, policies and procedures. | Fewer errors in the submission of documentation with respect to pension issues. |

**Outputs**

64. During the biennium 2002-2003, the following outputs will be delivered (the functions described in subparagraphs (a) (iv) and (v) below, to be carried out by the Geneva office, were not quantified in the phase 1 assessment of resources):

(a) Participation, entitlements and contributions services:

(i) Administer and service participants in the European, Middle Eastern and African regions, totalling some 30,845 participants (compared with 23,300 in 2000-2001);

(ii) Determine entitlements and process payment of pensions, withdrawal settlements, residual settlements, death benefits, etc., for the participants under (i) above;

(iii) Undertake work related to the reconciliation of contributions for United Nations entities and serve as the Fund's focal point for contribution-related and other issues for United Nations entities in Europe, Africa and the Middle East, assisting small member organizations in their reporting responsibilities;

(iv) Review entitlements to survivor benefits following the death of beneficiaries (i.e., authentication of survivor legal status and documentary evidence);

(v) Calculate the validation amount due and the resulting administrative processing and accounting;

(vi) Review and process requests for assistance from the Emergency Fund emanating from beneficiaries residing in the region who are under the responsibility of the office;

Table 19
**Significant workload indicators**

| *Indicator* | *2000-2001 (average per annum)* | *2002-2003 (average per annum)* |
|---|---|---|
| Number of participants administered | 23 347 | 30 845 |
| Processing and payment of new benefits | | |
| Number of withdrawal settlements | 1 514 | 1 394 |
| Number of pension benefits | 749 | 1 297 |
| Number of days required for processing new benefits (quality commitment in parentheses) | 9 (15) | (15) |
| Number of estimates processed | 738 | NA |
| Number of validations processed | 174 | NA |
| Number of changes processed in participants' PENSYS[a] records | 48 076 | NA |

[a] United Nations Joint Staff Pension Fund Administration System.

(b) Financial, records management and information systems services:

(i) Monitor the execution of the benefits payroll processed by the Fund's bank in Europe, covering some 12,500 monthly periodic pensions;

(ii) Service beneficiaries residing in the region who are under the responsibility of the office in: implementing changes in payment instructions (2,850 plus 3,640 one-time mass changes) changing address (450); issuing pension payment attestations (800 in addition to annual tax statements); resolving enquiries on the non-receipt or delay of payments and on bank charges (440); addressing other enquiries on payroll issues (420); providing estimates and advice on the two-track pension adjustment system and on the impact of changes in the country of residence (130); and effecting the recovery of overpayments;

(iii) Provide and secure the operation of a payment execution facility (i.e., electronic banking) and execute payments processed from Geneva (2,007, amounting to $101.2 million), perform related bank reconciliation, monitor cash flow and ensure the recording of transactions in the Fund's Lawson accounting system;

(iv) Secure the continuous operation of the Geneva network services and local applications (i.e., electronic banking and office automation) and the Fund's common computer applications access (ICC 3270 mainframe applications and the Fund's optical disk-based imaging system), and provide assistance to the staff of the office in Geneva;

(v) Provide records management services for all documentation and incoming and outgoing mail; index documents and scan them (average 8,000 documents per month) into the Fund's optical disk-based imaging system, as well as opening related work cases for the Fund's workflow operation; answer or direct telephone enquiries and visitors.

Table 20
**Significant workload indicators**

| *Indicator (number)* | *1999* | *2000-2001 (average per annum)* |
|---|---|---|
| Punctual change-of-payment instructions | 1 582 | 2 849 |
| Mass changes in payment instructions | - | 3 644 |
| Address changes | 298 | 451 |
| Annual tax statements | 1 801 | 2 310 |
| Ad hoc pension statements | 947 | 798 |
| Enquiries on payment delays and bank charges | 399 | 440 |
| Answers to other payroll enquiries | 597 | 422 |
| Estimates and responses to queries on local currency track | 149 | 128 |
| Documents scanned (monthly average) | 4 457 | 6 343 (2000)<br>8 081 (2001) |

Table 21
**Resource requirements: Geneva office**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| Post | 1 898.8 | 2 487.3 | 15 | 21 |
| Non-post | 442.7 | 236.3 | - | - |
| **Total** | **2 341.5** | **2 723.6** | **15** | **21** |

65. The amount of $2,723,600 would provide for 21 posts, other staff costs, maintenance of equipment, acquisition of furniture and equipment and rental of premises. The conversion of two positions funded by general temporary assistance to established posts (1 P-4 and 1 G-5) and the addition of four new General Service (Other level) established posts is required for the ongoing expansion of the office. One of the established General Service posts would be devoted to information technology support, as recommended by the auditors. Now that, with the introduction of the Integrated Management Information System system in Geneva, it is possible to account for non-post objects of expenditure directly in Geneva, other objects of expenditure will be shown under the Geneva office as opposed to the office of the Chief Executive Officer. There are therefore minor decreases in staff costs due to the conversion of the two general temporary assistance positions to established posts and minor increases in the acquisition of furniture and equipment. Further information on the strengthening of the office can be found in annex II.

### 3. Programme support services

### (a) Information Management Systems Section

**Resource requirements (before recosting): $15,455,700**

66. The Information Management Systems Section is responsible for all information technology related to the Fund, including applications programming, computer operations, database administration, records management and correspondence. The Applications Programming Unit undertakes the analysis, design, programming and implementation of systems; maintains and updates systems as required and as technology advances; establishes and maintains the data security system; determines and integrates data through communication links between the Fund and its member organizations; and resolves technical or substantive problems that arise. The Computer Operations Unit coordinates and monitors the performance, security and integrity of the Fund's complex integrated systems; keeps abreast of technological advances, provides advice on the purchase or upgrade of equipment and negotiates its acquisition; evaluates and makes recommendations on new technologies; develops and carries out training programmes for technical and operational staff in the use of hardware and software; operates a help desk; performs ongoing maintenance; and provides back-up and recovery functions. The Records Management Unit handles the processing, recording, storage, retrieval and routing of information; performs document and case indexing functions; develops and maintains control procedures for the records of the Fund; and handles the arrangements for the issuance and review of the annual certificate of entitlement sent to beneficiaries for their signature.

67. The focus in the forthcoming biennium will be the intensive use of modern technology for continued improvements in the processing of benefits. This will require enhancement of existing systems, completion of the development of new applications and upgrading of hardware. The

Section also intends to establish electronic interfaces between the computing systems of the entities' services and those of the Fund and to create an Internet-based communication vehicle for the dissemination of participant and retiree information. This will entail protection of the Fund and those it services from risk, permit quantifiable commitments to quality and performance as well as service-level agreements to communicate commitments and enable project performance to be monitored against expectations through frequent interactions with users and comparisons with benchmarks.

Table 22
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective: To ensure that technical solutions and investments are aligned with the Fund's objectives to deliver superior value to customers and partners with strict attention to information security.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| The availability of reliable systems for managing the Fund's work and improved flow of information between member organizations, participants and beneficiaries. | (i) Faster receipt of information from member organizations and immediate dissemination of information to participants and beneficiaries;<br><br>(ii) More accurate information. |

**Outputs**

68. During the biennium 2002-2003, the following outputs will be delivered:

(a) Maintain and update the United Nations Joint Staff Pension Fund Administration System (PENSYS) and each subsystem, including those related to the processing of information for participants such as benefit calculations, validation/restoration requests, updates of status data and accounting for contributions by the participant and the employing organization. Maintenance will also continue to be performed for PENSYS subsystems related to beneficiary processing, including payroll processing, certificate of entitlement verification and cost-of-living reporting;

(b) Maintain and update the optical disk-based imaging system and its workflow-processing component, which provides for automated routing of electronic documentation to work queues and manages the distribution of pension cases to users; approximately 4 million documents have been scanned and indexed in New York and Geneva since 1992, and approximately 800,000 documents are expected to be scanned and indexed during the biennium 2002-2003;

(c) Provide support for other applications, including account, year-end, validation and restoration, payroll and cashier applications; manage systems for the local area electronic mail system and its integration with the Internet and for the LotusNotes procurement tracking system.

Table 23
**Resource requirements: Information Management Systems Section**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| Post | 2 411.6 | 3 035.1 | 21 | 28 |
| Non-post | 4 124.3 | 12 420.6 | - | - |
| **Total** | **6 535.9** | **15 455.7** | **21** | **28** |

69. The amount of $3,035,100 posts relates to 28 posts. The conversion of two General Service positions funded by general temporary assistance approved by the Standing Committee at its last session (1 Other level and 1 Principal level) to established posts is required, and an additional five new established posts: one P-4 computer technology officer, one P-3 data manager/data warehouse officer, one P-3 records management and production control supervisor and one General Service post to support the new Production Control Unit and one for the Computer Operations Unit to perform the functions of computer assistant are requested. General temporary assistance is requested for two P-4 project managers for applications programming and one P-3 contracts officer.

70. In 2001, the Fund, assisted by consultants, identified opportunities for leveraging the strength of information technology to improve overall performance, productivity and the quality of service offered to member organizations, participants and beneficiaries.

71. It should be emphasized, however, that a significant investment in information technology infrastructure is necessary before "future-direction" projects can be initiated. The investment in the information technology infrastructure requires: (a) an increase in the number of established posts; (b) enhancements in the existing technology environment, which is nearing the end of its useful life; and (c) provision for adequate office space to accommodate the additional hardware, staff and consultants required.

72. Once the infrastructure improvement projects are under way, the Fund will begin to implement the projects that will lead to long-term productivity and improvements in the quality of service. The full implementation of these strategic future-direction projects will also require additional information technology resources, and consultants will be contracted to perform the non-recurrent work.

73. The projects that comprise future-direction initiatives will include the development of a data warehouse, which will be integrated with a data collection system for the automated import of information from member organizations. Web-enabling applications will also be created to address the requirements of participants and beneficiaries. Resource requirements centre mainly on consulting services, hardware and software needs, training and maintenance. The cost of the re-engineering project is to be charged to Fund resources, and only the cost of the ongoing maintenance will be subject to United Nations reimbursement. An amount of $12,420,600 is required for non-post items, which includes the cost of the re-engineering project.

### (b) Executive Office

**Resource requirements (before recosting): $556,100**

74. The Executive Office provides central administrative services, support and advice in the areas of personnel, finance and general services for both the administrative and investment areas. The Office prepares the budget estimates; monitors and certifies expenditures; maintains financial control; performs other functions related to procurement, audits, preparation of reports and representation before the appointment and promotion bodies. The Executive Officer reports directly to the Chief Executive Officer.

Table 24
**Resource requirements: Executive Office**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| Post | 556.1 | 556.1 | 5 | 5 |
| **Total** | **556.1** | **556.1** | **5** | **5** |

75. The amount of $556,100, involving no growth, would provide for five continuing posts.

## B. Investment costs

Table 25
**Resource requirements by component**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Component* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| 1. Executive direction and management | 2 365.6 | 2 716.9 | 5 | 5 |
| 2. Programme of work | | | | |
| (a) Investments | 37 205.9 | 35 573.5 | 15 | 14 |
| (b) Financial operations and cash management | 1 446.9 | 1 446.9 | 10 | 10 |
| **Subtotal** | **38 652.8** | **37 020.4** | **25** | **24** |
| 3. Programme support: Information Systems Section | 1 974.3 | 2 860.4 | 2 | 2 |
| **Total** | **42 992.7** | **42 597.7** | **32** | **32** |

76. For the biennium 2002-2003, the major objectives of the Investment Management Service are: to obtain optimal real rates of return and avoid undue risk; to preserve the principal of the Fund in real terms; to strengthen the use of quantitative models in monitoring the portfolio and making investment decisions, especially during periods of volatility in the financial markets; to intensify the frequency of visits to companies in order to be able to identify companies, sectors and

economies that may provide better alternative investment opportunities during the biennium; to re-establish the in-house accounting system to enable the Service to interface with the Pension Fund secretariat in the preparation of the Fund's financial statements; and to provide more training for the staff to enable them to stay abreast of new developments and techniques in their respective areas in order to maintain a high level of professional expertise.

Table 26
**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective 1: To make sure that the Investment Management Service is managed efficiently and in the professional manner expected of a Fund-management operation.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| The implementation of the Service's mission statement and ensuring that all policies and guidelines of the Service are adhered to in all operations and performance reporting. | (i) All sections achieve their goals;<br>(ii) Investment returns are consistent with the investment policies and operations of the Service. |

**Objective 2: To make sure that the meetings of the Investments Committee are well organized and that reports to the Committee and other bodies are prepared and delivered on time.**

| *Expected accomplishments* | *Indicators of achievement* |
|---|---|
| Organization of the meetings of the Investments Committee and travel of its members to the meetings; preparation of reports; processing of travel of staff members; organization of staff/adviser meetings; provision of administrative services to the staff. | (i) Meetings are organized well and the processing of travel and the reimbursement of members and staff are done efficiently and on time;<br>(ii) The reports are submitted on time to all bodies. |

**Outputs**

77. During the biennium 2002-2003, the following specific outputs will be delivered in respect of the Office of the Director of the Investment Management Service, in addition to the day-to-day executive direction and management of the Service:

(a) Servicing of and participation in intergovernmental and expert bodies:

(i) Substantive servicing of meetings. Service four or five meetings per year of the Investments Committee and participate in one Pension Board session and one Standing Committee meeting;

(ii) Parliamentary documentation. Prepare documents on investments for the Pension Board and Standing Committee and for each meeting of the Investments Committee and a report on investments to the General Assembly;

(b) Administrative and communications support:

(i) Respond to internal and external audit observations, management letters and other audit reports;

(ii) Prepare annual reports and statements on the management of investments for the review and approval of the designated representative of the Secretary-General for the investments of the Fund;

(iii) Prepare reports of the Investments Committee four or five times a year;

(iv) Prepare other documents and correspondence, as required;

(v) Meet on a weekly basis with the representative of the Secretary-General to review the status of the Fund's investments.

Table 27
**Resource requirements: executive direction and management**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2000-2001* | *2002-2003 (before recosting)* | *2000-2001* | *2002-2003* |
| Post | 914.7 | 914.7 | 5 | 5 |
| Non-post | 1 450.9 | 1 802.2 | - | - |
| **Total** | **2 365.6** | **2 716.9** | **5** | **5** |

## C. Audit costs

78. Audit costs relate to the internal and external auditing of the administrative operations of the Fund secretariat and the investment operations of the Investment Management Service. Based on past experience and indications provided by the Fund's external auditors, about half of the audit costs (both internal and external) relate to administrative operations and half relate to investment activities. Furthermore, one third of the audit costs of the Fund's administrative operations (16.7 per cent of the total) is borne by the United Nations under the cost-sharing arrangement between it and the Fund.

Table 28
**Resource requirements: audit costs**

| | *Resources (thousands of United States dollars)* | |
|---|---|---|
| *Category* | *2000-2001* | *2002-2003 before recosting* |
| Non-post | 797.8 | 894.9 |
| **Total** | **797.8** | **894.9** |

### 1. External audit

79. The estimated requirements of $343,500 for external audits, reflecting growth of $4,900 relating to the audit of the Geneva office, are as indicated by the United Nations Board of Auditors. Of that amount, 16.7 per cent would be charged to the United Nations under the established cost-sharing formula.

### 2. Internal audit

80. The estimated requirements of $551,400, reflecting growth of $92,200 for internal audits of the Fund's operations by the Office of Internal Oversight Services, are based on resource requirements that were discussed by the Fund's Chief Executive Officer and the Under-Secretary-General for Internal Oversight Services. They were adjusted to take into account the 16.7 per cent share of such costs that would be borne by the United Nations under the cost-sharing arrangement. The resources requested take into account the wide scope and complexity of the proposed internal audits during the biennium 2002-2003 and the staffing and other requirements for carrying out the work effectively, in conformity with accepted professional auditing standards. The total resources to be made available to the Office of Internal Oversight Services will cover: (a) all staffing costs, including professional and technical supervision and administrative support; and (b) non-staff costs such as travel, consultancies for operational and management audits, training and equipment.

## VII. Emergency Fund

81. The General Assembly, in section V of its resolution 54/251, authorized the United Nations Joint Staff Pension Fund to supplement the voluntary contributions to the Emergency Fund for the biennium 2000-2001 by an amount not exceeding $200,000.

82. The Emergency Fund was initially established by the United Nations Joint Staff Pension Fund Board in 1973 with voluntary contributions of member organizations, staff associations and individuals to alleviate the distress of recipients of small pensions caused by currency fluctuations and cost-of-living increases. Since the introduction of the pension adjustment system in 1975, it has been used to provide relief in individual cases of proven hardship owing to illness, infirmity or similar causes.

83. Since the previous report to the Board was submitted, in July 2000, 15 disbursements from the Emergency Fund (as compared with 21 in the previous reporting period), totalling $50,486 (as compared with $36,674), had been made during the period from 1 May 2000 to 30 April 2001. The largest single payment to a pensioner was $21,000. The amounts disbursed over the two-year period from 1 May 1999 to 30 April 2001 totalled $87,160. Total expenditures since 1975 had reached $883,180.

84. The Standing Committee decided to request that the General Assembly authorize the Board to supplement the voluntary contributions to the Emergency Fund for the biennium 2002-2003 by an amount not exceeding $200,000.

*Notes*

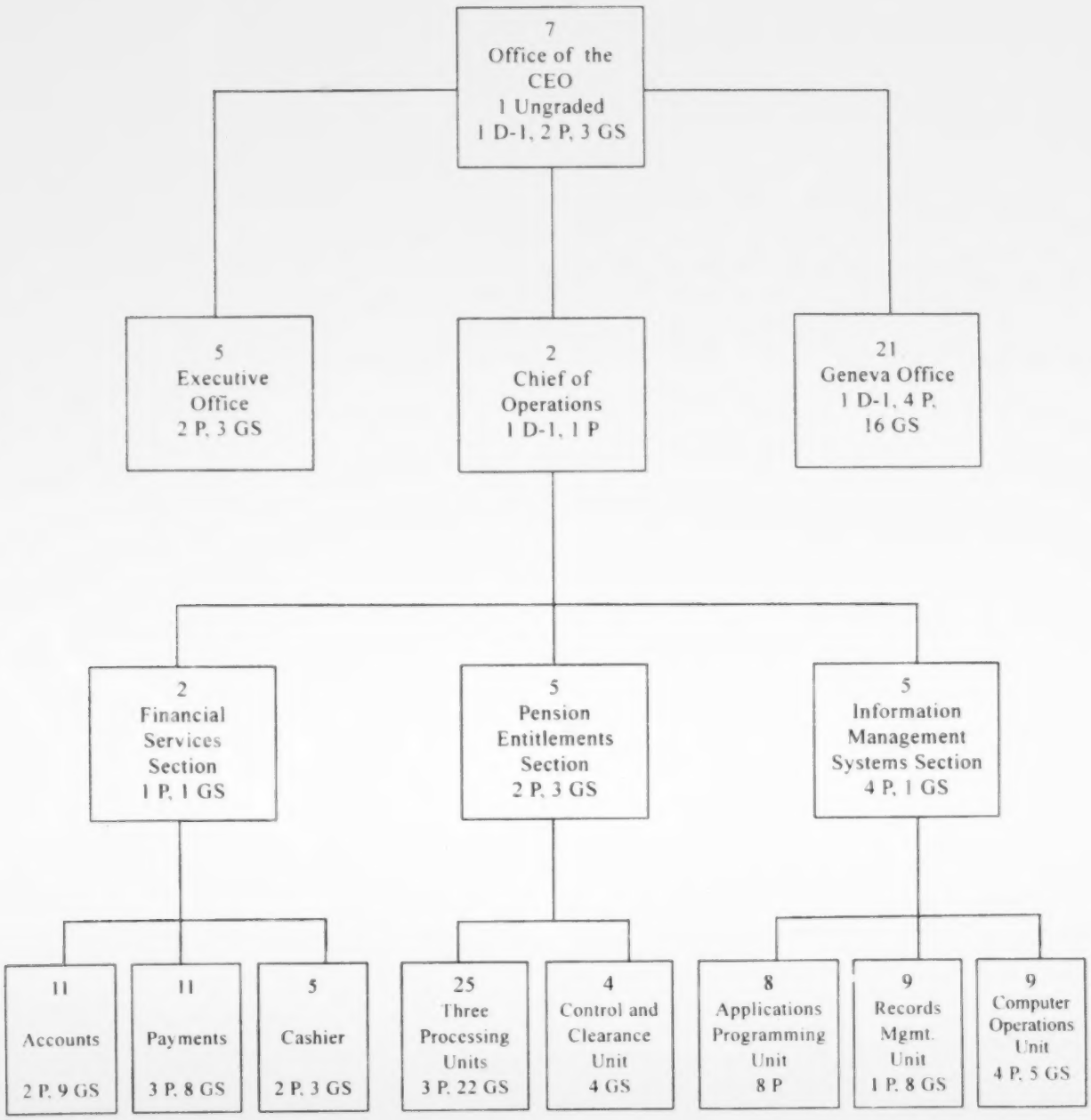
[1] JSPB/G.4/Rev.15, as amended.

[2] The proposed programme budget for the biennium 2002-2003 is contained in documents A/56/6 (Introduction), A/56/6 (Sects. 1-33) and A/56/6 (Income sects. 1-3). The approved programme budget will subsequently be issued in final form as *Official Records of the General Assembly, Fifty-sixth Session, Supplement No. 6* (A/56/6/Rev.1).

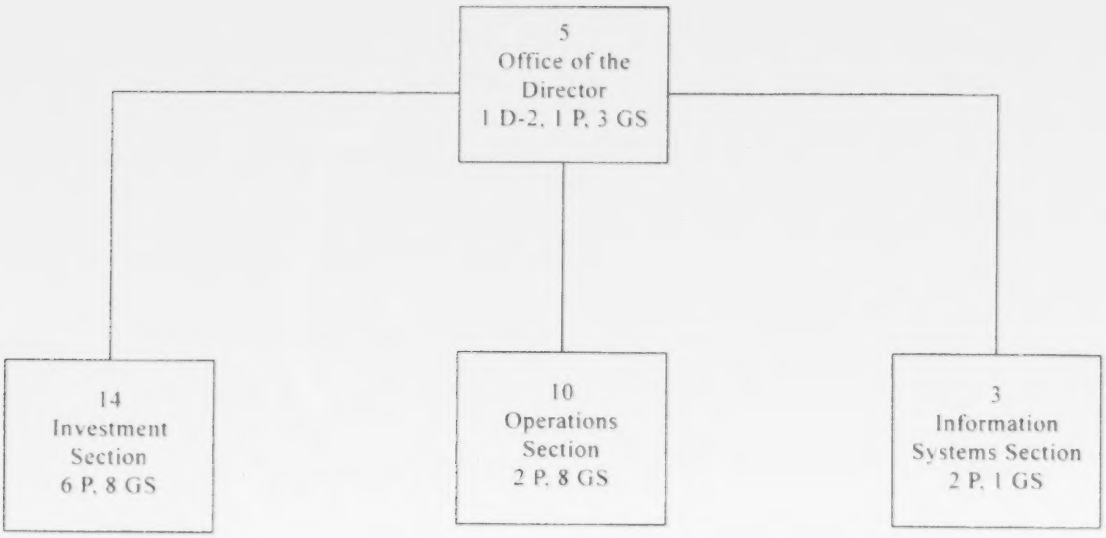
## United Nations Joint Staff Pension Fund secretariat

## Organizational structure and post distribution for the biennium 2002-2003

### A. Secretariat



## B. Investment Management Service



# Annex I

## Indicative resource requirements for the administrative expenses of the United Nations Joint Staff Pension Fund for the biennium 2002-2003

### Requirements by component and source of funds

(Thousands of United States dollars)

Table I.1
**Fund budget (excluding United Nations share) for administrative expenses**

| *Component* | *1998-1999 expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|---|
| | | | *Amount* | *Percentage* | | | |
| A. Administrative costs | 16 403.2 | 18 510.6 | 10 015.5 | 10.7 | 28 526.1 | 1 417.7 | 29 943.8 |
| B. Investment costs | 37 011 9 | 42 992.7 | (395.0) | -0.9 | 42 597.7 | 807.4 | 43 405.1 |
| C. Audit costs | 531.8 | 797.8 | 97.1 | 11.7 | 894.9 | 78.6 | 973.5 |
| **Total** | **53 946.9** | **62 301.1** | **9 717.6** | **2.7** | **72 018.7** | **2 303.7** | **74 322.4** |

Table I.2
**United Nations share of the Fund's administrative expenses**

| *Component* | *1998-1999 expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|---|
| | | | *Amount* | *Percentage* | | | |
| A. Administrative costs | 6 103.6 | 8 856.8 | 1 123.3 | 9.7 | 9 980.1 | 592.4 | 10 572.4 |
| B. Investment costs | - | - | - | - | - | - | - |
| C. Audit costs | 187.1 | 159.6 | 19.4 | 11.7 | 179.0 | 15.7 | 194.7 |
| **Total** | **6 290.7** | **9 016.4** | **1 142.7** | **9.7** | **10 159.0** | **608.1** | **10 767.1** |

Table I.3
**Fund's total administrative expenses**

| *Component* | *1998-1999 expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|---|
| | | | *Amount* | *Percentage* | | | |
| Fund budget | 53 946.9 | 62 301.1 | 9 717.6 | 2.7 | 72 018.7 | 2 303.7 | 74 322.4 |
| United Nations share | 6 290.7 | 9 016.4 | 1 142.7 | 9.7 | 10 159.0 | 608.1 | 10 767.1 |
| **Total** | **60 237.6** | **71 317.5** | **10 860.3** | **3.6** | **82 177.7** | **2 911.8** | **85 089.5** |

# Annex II

## Details of the budget proposal of the United Nations Joint Staff Pension Fund for the biennium 2002-2003

### A. Administrative costs

Table II.1
**Resource requirements: administrative costs**
(Thousands of United States dollars)

| *Object of expenditure* | *1998-1999 expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|---|
| | | | *Amount* | *Percentage* | | | |
| Posts | 10 105.2 | 12 127.0 | 1 212.0 | 10.4 | 13 339.0 | 276.9 | 13 615.9 |
| Other staff costs | 1 185.3 | 846.2 | 198.0 | -8.3 | 1 044.2 | 75.7 | 1 119.9 |
| Travel | 167.6 | 210.1 | 68.9 | 32.7 | 279.0 | 7.9 | 286.9 |
| Contractual services | 3 352.4 | 2 832.8 | 3 943.1 | 14.7 | 6 775.9 | 194.2 | 6 970.1 |
| General operating expenses | 854.8 | 1 641.5 | 1 335.5 | 17.2 | 2 977.0 | 748.8 | 3 725.8 |
| Supplies and materials | 81.3 | 341.3 | 0.0 | 0.0 | 341.3 | 10.8 | 352.1 |
| Furniture and equipment | 656.6 | 511.7 | 3 258.0 | 5.1 | 3 769.7 | 103.4 | 3 873.1 |
| **Total** | **16 403.2** | **18 510.6** | **10 521.7** | **12.8** | **28 526.1** | **1 417.7** | **29 943.8** |

Table II.2
**Post requirements**

| *Category* | *Established regular budget posts* | | *Temporary posts* | | | | *Total* | |
|---|---|---|---|---|---|---|---|---|
| | | | *Regular budget* | | *Extrabudgetary* | | | |
| | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* |
| **Professional and above** | | | | | | | | |
| ASG | 1 | 1 | - | - | - | - | 1 | 1 |
| D-1 | 3 | 3 | - | - | - | - | 3 | 3 |
| P-5 | 5 | 5 | - | - | - | - | 5 | 5 |
| P-4/3 | 26 | 30 | 1 | 3 | - | - | 27 | 33 |
| P-2/1 | 1 | 1 | - | - | - | - | 1 | 1 |
| **Subtotal** | **36** | **40** | **1** | **3** | **-** | **-** | **37** | **43** |
| **General Service** | | | | | | | | |
| Principal level | 5 | 6 | 1 | - | - | - | 6 | 6 |
| Other level | 72 | 80 | 2 | 2 | - | - | 74 | 82 |
| **Subtotal** | **77** | **86** | **3** | **2** | **-** | **-** | **80** | **88** |
| **Total** | **113** | **126** | **4** | **5** | **-** | **-[a]** | **117** | **131** |

Table II.3
**Requirements by component**

| *Component* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | |
| 1. Executive direction and management | 2 880.0 | 713.6 | 2.8 | 3 593.6 | 840.6 | 4 434.2 |
| 2. Programme of work | | | | | | |
| (a) Office of the Chief of Operations | 370.2 | - | 0.0 | 370.2 | 22.0 | 392.2 |
| (b) Geneva office | 2 341.5 | 382.1 | 19.6 | 2 723.6 | -337.7 | 2 385.9 |
| (c) Pension Entitlements Section | 2 960.7 | - | 0.0 | 2 960.7 | 207.4 | 3 168.1 |
| (d) Financial Services Section | 2 866.2 | - | 0.0 | 2 866.2 | 129.6 | 2 995.8 |
| **Subtotal** | **8 538.6** | **708.7** | **8.8** | **9 247.3** | **33.7** | **9 281.0** |
| 3. Programme support | | | | | | |
| (a) Information Management Systems Section | 6 535.9 | 8 919.8 | 23.6 | 15 455.7 | 526.4 | 15 982.1 |
| (b) Executive Office | 556.1 | - | 0.0 | 556.1 | 29.4 | 585.5 |
| **Subtotal** | **7 092.0** | **9 085.0** | **30.2** | **16 177.0** | **568.5** | **16 745.5** |
| **Total** | **18 510.6** | **10 015.5** | **10.7** | **28 526.1** | **1 417.7** | **29 943.8** |

## 1. Executive direction and management: Office of the Chief Executive Officer

Table II.4
**Resource requirements: Office of the Chief Executive Officer**

| *Component* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | |
| Posts | 1 063.4 | - | 0.0 | 1 063.4 | 62.1 | 1 125.5 |
| Other staff costs | 405.3 | (56.2) | (45.7) | 349.1 | 45.6 | 394.7 |
| Travel | 210.1 | 48.9 | 23.2 | 259.0 | 7.6 | 266.6 |
| Contractual services | 415.6 | 24.5 | 5.9 | 440.1 | 13.7 | 453.8 |
| General operating expenses | 772.8 | 696.4 | 15.8 | 1 469.2 | 711.3 | 2 180.5 |
| Hospitality | 12.8 | 0.0 | 0.0 | 12.8 | 0.3 | 13.1 |
| **Total** | **2 880.0** | **713.6** | **2.8** | **3 593.6** | **840.6** | **4 434.2** |

Table II.5
**Post requirements**

| Category | Established regular budget posts | | Temporary posts | | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | Regular budget | | Extrabudgetary | | | |
| | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 |
| **Professional and above** | | | | | | | | |
| ASG | 1 | 1 | - | - | - | - | 1 | 1 |
| D-1 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-5 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-4/3 | 1 | 1 | - | - | - | - | 1 | 1 |
| **Subtotal** | **4** | **4** | **-** | **-** | **-** | **-** | **4** | **4** |
| **General Service** | | | | | | | | |
| Principal level | 1 | 1 | - | - | - | - | 1 | 1 |
| Other level | 2 | 2 | - | 2 | - | - | 2 | 4 |
| **Subtotal** | **3** | **3** | **-** | **2** | **-** | **-** | **3** | **5** |
| **Total** | **7** | **7** | **-** | **2** | **-** | **-** | **7** | **9** |

**Resource requirements (before recosting)**

*Posts*

1. The estimated requirements of $1,063,400 under executive direction and management, involving no growth, provide for the continuation of four posts in the Professional and above category (including the post of the Chief Executive Officer/Secretary) and three General Service posts (1 Principal level and 2 Other level).

*Other staff costs*

2. The estimated requirements of $349,100 for the Fund secretariat in New York (the Geneva office is now accounted for separately) reflect a negative growth of $56,200, and comprises: (a) general temporary assistance required for maternity and sick leave replacements; (b) overtime for peak workload periods; and (c) an additional 48 work-months at the General Service level to provide temporary assistance during the re-engineering project, allowing the regular staff to concentrate on developing specifications and providing the business analysis required to implement the various projects.

*Travel*

3. The estimated requirements ($259,000) involving growth of $48,900 cover the travel and related costs of the Committee of Actuaries ($83,800) and of the staff of the Fund secretariat in New York. Travel of the Committee of Actuaries covers the attendance of its members at their annual meeting and the attendance of the Committee's Rapporteur at sessions of the Board and/or Standing Committee. Staff costs include attendance of the Chief Executive Officer (CEO)/Secretary and/or other staff at sessions of the Board, the Standing Committee and the International Civil Service Commission, as well as at meetings with secretaries of the local pension committees. Provision is also made for periodic official travel between the Fund's New York and Geneva offices; in this respect the growth would cover the cost of travel related to the quarterly

management meetings at headquarters for the Chief of the Geneva office as well as travel for the CEO to Geneva at least twice a year. Resources also cover travel to offices of member organizations (combined with home leave, wherever possible) to coordinate the services provided to participants and beneficiaries and to discuss pension matters with staff members. The travel is mainly undertaken by staff in the Office of the Chief Executive Officer and in the Information Management Systems Service; the latter travel is primarily to the Fund's Geneva office or to the International Computing Centre (ICC).

*Contractual services*

4. The estimated requirements of $440,100 reflect growth of $24,500 relating to (a) services provided by the consulting actuary ($390,000), including the preparation of the actuarial valuation of the Fund as at 31 December 2001 and related documents and attendance at sessions of the Board, the Standing Committee and the Committee of Actuaries, and (b) consultants retained to carry out special studies ($50,100). The increase in the fee for the services of the consulting actuary reflects an increase in additional incidental services.

*General operating expenses*

5. The estimated requirements under this heading of $1,469,200, including growth of $696,400, relates to renovation costs and the rental of premises occupied by the Fund secretariat in New York. Costs for the rental of premises in Geneva are now accounted for separately under the heading "Geneva office" below and those for the Investment Management Service are under "Investment costs" below. Other general operating expenses for administrative costs are included under "Programme support".

(i) *Rental of premises*

6. The estimated requirements under this heading ($1,389,200), including growth of $616,400, relate to the cost of renting premises in New York and of making alterations and improvements to the computer room and new office space. In accordance with General Assembly resolution 53/210 of 18 December 1998, two thirds of the cost of rented space of the Fund's secretariat in New York and Geneva is to be met from the budget of the Fund and one third from the United Nations regular budget. The full cost of space provided to the Investment Management Service is charged to the Fund.

7. No new space has been provided to the Fund over the past biennium; however, in order to accommodate the expansion of the computer room and the additional staff being requested as well as those staff being displaced by the computer room expansion, an additional 1,962 square feet will be required in New York. In addition, the cost of the present 12,567 square feet net of the one-third share of the United Nations has risen from $30.50 per square foot in 2000 and $31.00 in 2001 to $59.00 in 2002 and 2003. This increase, reflected under recosting, was mandated as a result of General Assembly resolution 41/213 of 19 December 1986, in which the Assembly required the United Nations Secretariat to apply rental charges based on current commercial rates to occupants of United Nations premises. There has been no change in the unit rate for the premises occupied by the Geneva office. It should be noted that although the rental rates are now equivalent to local commercial rates, the United Nations provides other facilities and services such as security, furniture, cleaning, utilities, telephones and so on free of charge to the Fund.

8. An amount of $110,600 is requested as a non-recurrent amount for the expansion of the Fund's computer room on the sixth floor of the United Nations Secretariat building. The introduction of the re-engineering project and the additional equipment required to accommodate an ever-expanding Fund, plus the fact that necessary upgrades to the present equipment cannot be

performed due to lack of space, necessitates some construction work. In that regard, the contractor has indicated that if the upgrades are not undertaken shortly, the maintenance agreement will be terminated, thus placing the Fund under tremendous risk. Accordingly, the Fund's external auditors have recently recommended that the Fund review its space requirements urgently with the United Nations to ensure that the re-engineering project is not unnecessarily delayed and that the Fund is not placed at risk. The estimates have been provided by the Office of Central Support Services.

*(ii) Printing and binding*

9. An estimated amount of $80,000 would provide for more frequent and updated publications (such as an informational note on the introduction of the euro) which would require some external publishing assistance, reproduction of documents and distribution and mailing, some of which would be absorbed by the United Nations.

*Hospitality*

10. The provision of $12,800, at the maintenance level, relates to official functions.

## 2. Programme of work

### (a) Office of the Chief of Operations

Table II.6
**Resource requirements: Office of the Chief of Operations**
(Thousands of United States dollars)

| *Object of expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | |
| Posts | 370.2 | - | - | 370.2 | 22.0 | 392.2 |
| **Total** | **370.2** | **-** | **-** | **370.2** | **22.0** | **392.2** |

Table II.7
**Post requirements**

| *Category* | *Established regular budget posts* | | *Temporary posts* | | | | *Total* | |
|---|---|---|---|---|---|---|---|---|
| | | | *Regular budget* | | *Extrabudgetary* | | | |
| | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* |
| **Professional and above** | | | | | | | | |
| D-1 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-4/3 | 1 | 1 | - | - | - | - | 1 | 1 |
| **Total** | **2** | **2** | **-** | **-** | **-** | **-** | **2** | **2** |

**Resource requirements (before recosting)**

*Posts*

11. The amount of $370,200 provides for the continuation of two posts in the Professional and above category.

Table II.8
**Resource requirements: Pension Entitlements Section**
(Thousands of United States dollars)

| *Object of expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | |
| Posts | 2 960.7 | - | - | 2 960.7 | 207.4 | 3 168.1 |
| **Total** | **2 960.7** | - | - | **2 960.7** | **207.4** | **3 168.1** |

Table II.9
**Post requirements**

| *Category* | *Established regular budget posts* | | *Temporary posts* | | | | *Total* | |
|---|---|---|---|---|---|---|---|---|
| | | | *Regular budget* | | *Extrabudgetary* | | | |
| | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* |
| **Professional and above** | | | | | | | | |
| P-5 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-4/3 | 4 | 4 | - | - | - | - | 4 | 4 |
| **Subtotal** | **5** | **5** | - | - | - | - | **5** | **5** |
| **General Service** | | | | | | | | |
| Principal level | 2 | 2 | - | - | - | - | 2 | 2 |
| Other level | 27 | 27 | - | - | - | - | 27 | 27 |
| **Subtotal** | **29** | **29** | - | - | - | - | **29** | **29** |
| **Total** | **34** | **34** | - | - | - | - | **34** | **34** |

**Resource requirements (before recosting)**

*Posts*

12. The amount of $2,960,700, involving no growth, provides for the continuation of five posts in the Professional category and 29 General Service posts (2 Principal level and 27 Other level).

Table II.10
**Resource requirements: Financial Services Section**
(Thousands of United States dollars)

| *Object of expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | |
| Posts | 2 866.2 | - | - | 2 866.2 | 129.6 | 2 995.8 |
| **Total** | **2 866.2** | - | - | **2 866.2** | **129.6** | **2 995.8** |

Table II.11
**Post requirements**

| *Category* | *Established regular budget posts* | | *Temporary posts* | | | | *Total* | |
|---|---|---|---|---|---|---|---|---|
| | | | *Regular budget* | | *Extrabudgetary* | | | |
| | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* |
| **Professional and above** | | | | | | | | |
| P-5 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-4/3 | 6 | 6 | - | - | - | - | 6 | 6 |
| P-2/1 | 1 | 1 | - | - | - | - | 1 | 1 |
| **Subtotal** | **8** | **8** | - | - | - | - | **8** | **8** |
| **General Service** | | | | | | | | |
| Principal level | 2 | 2 | - | - | - | - | 2 | 2 |
| Other level | 19 | 19 | - | - | - | - | 19 | 19 |
| **Subtotal** | **21** | **21** | - | - | - | - | **21** | **21** |
| **Total** | **29** | **29** | - | - | - | - | **29** | **29** |

**Resource requirements (before recosting)**

*Posts*

13. The amount of $2,866,200, involving no growth, relates to the continuation of eight posts in the Professional category and 21 General Service posts (2 Principal level and 19 Other level).

## (b) Geneva office

Table II.12
**Resource requirements: Geneva office**
(Thousands of United States dollars)

| *Object of expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | |
| Posts | 1 898.8 | 588.5 | 38.5 | 2 487.3 | (338.4) | 2 148.9 |
| Other staff costs | 235.5 | (228.5) | - | 7.0 | 0.1 | 7.1 |
| Travel of staff | - | 20.0 | - | 20.0 | 0.3 | 20.3 |
| General operating expenses | 197.2 | 2.1 | 1.1 | 199.3 | 0.2 | 199.5 |
| Furniture and equipment | 10.0 | - | - | 10.0 | 0.1 | 10.0 |
| **Total** | **2 341.5** | **382.1** | **19.6** | **2 723.6** | **(337.7)** | **2 385.9** |

Table II.13
**Post requirements**

| *Category* | *Established regular budget posts* | | *Temporary posts* | | | | *Total* | |
|---|---|---|---|---|---|---|---|---|
| | | | *Regular budget* | | *Extrabudgetary* | | | |
| | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* |
| **Professional and above** | | | | | | | | |
| D-1 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-4/3 | 3 | 4 | 1 | - | - | - | 4 | 4 |
| **Subtotal** | **4** | **5** | **1** | **-** | **-** | **-** | **5** | **5** |
| **General Service** | | | | | | | | |
| Other level | 11 | 16 | - | - | - | - | 12 | 16 |
| **Subtotal** | **11** | **16** | **1** | **-** | **-** | **-** | **12** | **16** |
| **Total** | **15** | **21** | **2** | **-** | **-** | **-** | **17** | **21** |

### Resource requirements (before recosting)

*Posts*

14. The estimated requirements of $2,487,300, involving growth of $588,500, relate to the continuation of 4 posts in the Professional and above category, 11 General Service (Other level) posts and 4 new General Service (Other level) posts, as well as the conversion of 2 posts (1 P-4 and 1 General Service (Other level)) from general temporary assistance funding to established posts. It is recalled that those two posts were approved on a temporary basis for phase 1 of the enhancement of the Geneva office, and experience has shown that they are required on a continuing basis to cope with the increased volume of work.

15. Two of the new posts relate primarily to experience gained over the past biennium with respect to records management functions, including telephone information, and information and assistance to visitors. The volume of documentation scanned has increased substantially, by some 42 per cent in 2000, and has increased even further during 2001. This increase has not been

balanced by a decrease in scanned documents in New York. A third new post is requested for an electronic data-processing assistant. Both the Fund's internal and external auditors, in 1998, 1999 and again in 2000, have recommended that for security purposes the activities related to computer applications and data-processing issues should be segregated from the accounting and finance responsibilities. Because of the enlargement of the office, with respect to both responsibilities and number of staff, it is now necessary to provide a post for help desk functions and for securing the operations of the Geneva network services and its local applications (i.e., electronic banking and office automation), as well as the Fund's common systems, such as the mainframe applications and the imaging system.

16. The remaining new post is required for the Participation, Entitlement and Contribution Section to cope with the additional workload related to the enhancement of and transfer of functions in the Geneva office for phase 2 of that project. Using the criteria used for the biennium 2000-2001 and the level of workload performed in 2000, the actual resource requirement for the Participation, Entitlement and Contribution Section in Geneva totals 155.54 staff-months per year, or 13 posts, an increase of 3 posts over the 10 in the Section in the biennium 2000-2001. These 155.54 staff-months would be distributed as follows: 80.93 staff-months for the administration of the 30,240 participants; 19.72 staff-months for the processing of the estimated 1,328 withdrawal settlements; and 54.89 staff-months for the processing of the estimated 1,235 pension benefits.

*Other staff costs*

17. The amount of $7,000 under this heading, representing negative growth of $228,500, relates to overtime for peak workload periods and a negative amount of $235,500 representing the conversion of one P-4 and one General Service (Other level) post funded by temporary assistance to established posts.

*Travel of staff*

18. A provision of $20,000 is required in order to respond to increasing requests, primarily from field offices in the African and Middle Eastern regions, for local training, workshops and seminars (pre-retirement and participation) and to provide on-site service to participants, beneficiaries and member associations of the Federation of Associations of Former International Civil Servants. In prior budget submissions, travel for the Geneva office was shown under the Office of the Chief Executive Officer.

*General operating expenses*

19. The estimated requirements under this heading total $199,300, representing growth of $2,100.

(i) *Rental of premises*

20. An amount of $186,100, at the maintenance level, is provided for the rental of premises made available by the United Nations for the Fund's office in Geneva. The Fund rents 382.3 square metres at the cost of $1 per square metre per day, with the United Nations absorbing one third of the cost.

(ii) *Rental and maintenance of equipment*

21. An amount of $13,200, including growth of $2,100, is required for the maintenance of the equipment utilized by the office. The increase would accommodate the maintenance of additional equipment for new staff.

*(iii) Furniture and equipment*

22. A provision of $10,000, involving no growth, is required for the provision of ancillary computer equipment and for the acquisition of computers and printers for the new staff.

## 3. Programme support

### (a) Information Management Systems Section

Table II.14
**Resource requirements: Information Management Systems Section**
(Thousands of United States dollars)

| *Object of expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | |
| Posts | 2 411.6 | 623.5 | 26.3 | 3 035.1 | 164.8 | 3 199.9 |
| Other staff costs | 205.4 | 482.7 | (70.8) | 688.1 | 30.0 | 718.1 |
| Contractual services | 2 417.2 | 3 918.6 | 16.2 | 6 335.8 | 180.5 | 6 516.3 |
| General operating expenses | 546.1 | 572.0 | 104.4 | 1 118.1 | 31.7 | 1 149.8 |
| Supplies and materials | 112.6 | 65.0 | 57.5 | 177.6 | 5.3 | 182.9 |
| Furniture and equipment | 843.0 | 3 258.0 | 3.1 | 4 101.0 | 114.1 | 4 215.1 |
| **Total** | **6 535.9** | **8 919.8** | **23.6** | **15 455.7** | **526.4** | **15 982.1** |

Table II.15
**Post requirements**

| *Category* | *Established regular budget posts* | | *Temporary posts* | | | | *Total* | |
|---|---|---|---|---|---|---|---|---|
| | | | *Regular budget* | | *Extrabudgetary* | | | |
| | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* |
| **Professional and above** | | | | | | | | |
| P-5 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-4/3 | 10 | 13 | - | 3 | - | - | 10 | 16 |
| **Subtotal** | **11** | **14** | **-** | **3** | **-** | **-** | **11** | **17** |
| **General Service** | | | | | | | | |
| Principal level | - | 1 | 1 | - | - | - | 1 | 1 |
| Other level | 10 | 13 | 1 | - | - | - | 11 | 13 |
| **Subtotal** | **10** | **14** | **2** | **-** | **-** | **-** | **12** | **14** |
| **Total** | **21** | **28** | **2** | **3** | **-** | **-** | **23** | **31** |

**Resource requirements (before recosting)**

*Posts*

23. The estimated requirements of $3,035,100, including growth of $623,500, relate to: (a) the continuation of 21 Professional and General Service posts; (b) the conversion of 2 General Service posts (1 Principal level and 1 Other level) from general temporary assistance to established status; and (c) the addition of 5 new posts: 1 P-4, 2 P-3 and 2 General Service (Other level).

24. The five new posts are requested in order to strengthen the infrastructure of the information technology operations of the Fund. This would bring overall information technology staffing to the minimum level necessary for supporting the Fund's objectives and would be in line with the staffing of other financial institutions of a similar size and complexity, as indicated by the Fund's consultants. Justification for each of the posts is as follows:

(a) One P-4 level post in the Computer Operations Unit is required to perform the functions of a technology officer. This post would be responsible for identifying technologies for use in the Fund's operations as they relate to the overall system environment. In-depth quality assurance testing of hardware and software systems would be carried out followed by the development of recommendations to senior management;

(b) One P-3 for the Computer Operations Unit will be responsible for managing the Records Management and Production Control Unit. The Fund has not thus far had a unit responsible for production control and for ensuring that the data contained in the many reference tables utilized in the system are up-to-date and accurate. In addition, the work volume in the records management area has increased, along with the complexity of the functions performed, and thus the coordination and supervision of the Unit's activities are extremely important;

(c) One new P-3 post is requested for a database administrator. The functions assigned to this post include ensuring that: (a) the integrity of data meets the rigid standards established by the Fund; (b) a secure and protected environment exists whereby back-up and recovery procedures are followed without exception; and (c) system upgrades and maintenance are carried out as necessary on all supported platforms. The Fund's UNIX, mainframe and AS/400 systems all support a common database that is fully integrated with the United Nations Joint Staff Pension Fund application systems. The complexity of this structure requires constant monitoring;

(d) One General Service (Other level) post is required to support the new Production Control Unit and to be responsible for monitoring system security, updating reference tables (e.g., duty station codes) and disseminating printed materials to participants and retirees (e.g., annual statements and certificates of entitlement). The decentralization of the United Nations Development Programme and the United Nations Children's Fund has also contributed to an additional workload, as the Fund is now responsible for providing information directly to many duty stations for those organizations;

(e) One General Service (Other level) post is also requested for the Computer Operations Unit to perform the functions of a computer assistant. The functions will involve additional support for the computer help desk, which will have increased activity as a result of the new Internet initiatives requested.

25. The growth is also related to the conversion of two General Service posts funded by temporary assistance (1 Principal level and 1 Other level), which were approved for the current biennium in the Information Management Systems Section for a telecommunications specialist and a webmaster respectively, to established status. Their functions are of an ongoing nature, and it is

impossible to recruit for such functions against temporary posts. The proposed conversions have an offsetting decrease under "Other staff costs" below.

*Other staff costs*

26. An amount of $688,100, involving growth of $482,700, represents negative growth of $178,900, offset by a like amount under established posts, relating to the conversion of two general temporary assistance posts to established status, and an amount of $303,700 for staff training, of which $270,200 is non-recurrent as it relates to the re-engineering project. These resources cover attendance by computer operations and programming staff at various technology classes as well as the attendance by chiefs of the Information Management Systems Section, the Computer Operations Unit and the Applications Programming Unit at various computer technology conferences. As the Fund's operations differ from those of the United Nations, in-house computer technology training provided by the Office of Human Resources Management is not appropriate.

27. The growth is also related to the provision of general temporary assistance funding as follows:

(a) Two new P-4 posts for the Applications Programming Unit are requested to form a project management team. Each information technology project manager will be responsible for providing support for all projects affecting their assigned systems. Frequent collaboration with business process owners will be required to ensure that all components of the system development life cycle is completed to the satisfaction of users. Service-level agreements will also be developed that clearly state the expected performance of systems with the appropriate benchmarks and remedies to address malfunctions. Project deliverables will be monitored and reported on;

(b) One new P-3 post for the functions of contract officer. As the Fund continues to rely on contractors to perform critical functions, the administration of contracts becomes a time-consuming activity with significant financial impact. The contracts officer will ensure that consultants and vendors are satisfying the terms of their contracts, including on-time delivery of goods and services. This function would also consolidate the development, distribution and evaluation of requests for proposals, as well as invoice review and inventory tracking.

*Contractual services*

28. The net estimated requirements of $6,335,800, involving growth of $3,918,600 (of which $3,526,200 relates to the re-engineering project), under contractual services in respect of computer services comprise: (a) two thirds of the full cost of the use of the mainframe at ICC ($1,935,800); and (b) two thirds of the cost of other consulting services ($932,000) to meet the need for computer expertise not available in the Fund secretariat. Resources for contractual services for the re-engineering project are separated out below. With respect to the consulting services, the specific projects to be undertaken during the forthcoming biennium would include: (a) Lotus Notes maintenance and upgrades; (b) network administration for Novell and NT upgrades; (c) systems administration for UNIX and Linux; (d) help desk support; and (e) systems architecture design.

*General operating expenses*

29. The estimated requirements of $1,118,100, involving growth of $572,000 (an amount of $468,700 relates to the re-engineering project and are set out below), relate to: (a) $10,000 for communications services paid to the United Nations; and (b) the net cost of $574,700 for maintenance contracts as follows: (i) $231,300, for general maintenance for the AS/400, RS/6000, Novell and personal computer systems as well as support for the imaging systems, local area network and personal computer segment hardware and operating system software; (ii) $186,700 at

2000-2001 rates for specific hardware and software maintenance contracts; and (iii) $156,700 at 2000-2001 rates for miscellaneous maintenance costs, including increases in the bandwidth of the communication line with ICC, needed to support increased activity.

*Supplies and materials*

30. The estimated requirements of $177,600, involving growth of $65,000, are for miscellaneous supplies and services, such as optical disks, print cartridges, cables, diskettes and compact discs, the printing of certificate of entitlement forms and annual statements and the costs of special postage arrangements to send the certificates of entitlement and cost-of-living notification forms to beneficiaries.

*Furniture and equipment*

31. The estimated net requirements of $4,101,000 represent growth of $3,258,000 ($3,232,000 relating to the re-engineering project) for the replacement and upgrade of existing hardware and software as well as for purchases of new hardware and software, broken down as follows: (a) $460,000 for the replacement or upgrading of existing hardware; (b) $129,000 for the replacement or upgrading of existing software; and (c) $280,000 for the purchase of new hardware and software. The breakdown of new purchases follows.

*(i) New hardware ($112,000)*

32. Resources are requested to purchase various hardware networking devices to support the Fund's independent access to the Internet, the Geneva office, ICC and member organizations, as well as low-cost computer parts.

*(ii) New software ($168,000)*

33. There is a need to strengthen the Fund's ability to react to catastrophe in utilizing the services of a disaster recovery site, which specializes in image processing and workflow. This site would also be used for: the backup and recovery of the RS/6000-based systems, namely, the Lawson system ($47,000); the upgrading of computer output to laser disk optical storage for documents not linked to an active or a retirement number ($13,000); the upgrading of the report-writing software permitting users without a programming background to create customized reports ($13,000); the provision of digitized signatures for voucher and cheque production ($10,000); bar-code-reading software to be utilized in conjunction with document scanners to improve the efficiency of the certificate of entitlement process ($50,000); and miscellaneous software purchases ($35,000).

*Re-engineering project*

34. The longer-term process re-engineering and computer project relates to the Board's request for: (a) a continued analysis and strategic planning supported by an extension of the previous process re-engineering study; (b) an analysis of process-based technology opportunities that when implemented would provide the optimum information technology infrastructure; and (c) the quantification of costs and delivery time frames. The main thrust of the project would be to permit each member entity to exchange participant and retiree information electronically, thus obviating the need for dual data entry. It would also provide instant access to information of interest to participants and beneficiaries. The implementation of these projects would be divided into those that: (a) would enhance the basic infrastructure of the Fund and provide a viable platform from which to launch future-direction technology initiatives related to the process re-engineering findings; and (b) are considered future-direction projects and that would realize the productivity, performance and quality-of-service objectives desired.

35. The projects relating to the enhancement of the infrastructure, which would be required whether or not the future-direction projects were implemented, relate to: (a) the enhancement of information security; (b) Ethernet migration; (c) workflow and processing; (d) knowledge management; and (e) a storage-area network. The future-direction projects are for: (a) data collection; (b) the introduction of a data warehouse; and (c) web application enablement.

36. While the total cost of the eight projects is estimated at $8,265,158 for hardware, software, development and training, and the annual cost of maintenance is estimated at $1,469,714 (see table II.16), the costs for the biennium 2002-2003 (see table II.18) have been prorated according to the delivery timeline schedule (see table II.17).

Table II.16
**Total project costs**
(In United States dollars)

| *Project* | *Hardware software* | *Development* | *Training* | *Total* | *Annual maintenance* |
|---|---|---|---|---|---|
| **Infrastructure enhancement** | | | | | |
| Information security system | 419 300 | 551 800 | 67 400 | 1 038 500 | 177 448 |
| Ethernet migration | 180 400 | 191 400 | 20 000 | 391 800 | 67 144 |
| Workflow system upgrade | 200 000 | 510 000 | 20 000 | 730 000 | 134 000 |
| Knowledge management system | 287 304 | 550 000 | 30 000 | 867 304 | 155 969 |
| Storage area network | 777 485 | 220 000 | 7 800 | 1 005 285 | 168 398 |
| **Future direction** | | | | | |
| Data collection system | 426 226 | 832 000 | 50 000 | 1 308 226 | 234 596 |
| Data warehouse system | 527 917 | 743 000 | 25 000 | 1 295 917 | 233 067 |
| Web-enabled applications | 413 326 | 1 164 800 | 50 000 | 1 628 126 | 299 092 |
| **Total** | **3 231 958** | **4 763 000** | **270 200** | **8 265 158** | **1 469 714** |

Table II.17
**Delivery timelines**

| | 2002 | | | | 2003 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Quarter | | | | Quarter | | | | Quarter | | | |
| *Project* | *1* | *2* | *3* | *4* | *1* | *2* | *3* | *4* | *1* | *2* | *3* | *4* |
| **Infrastructure enhancement** | | | | | | | | | | | | |
| Information security system | x | x | x | x | | | | | | | | |
| Ethernet migration | x | x | x | x | | | | | | | | |
| Workflow system upgrade | | x | x | x | | | | | | | | |
| Knowledge management system | x | x | x | x | | | | | | | | |
| Storage area network | | | | x | x | | | | | | | |
| **Total cost, 2002-2003: $4 032 889** | | | | | | | | | | | | |
| **Future direction** | | | | | | | | | | | | |
| Data collection system | | | | | x | x | x | x | x | | | |
| Data warehouse system | | | | | | | x | x | x | x | | |
| Web-enabled applications | | | | | | | x | x | x | x | x | |
| **Total cost, 2002-2003: $2 995 489; 2004: $1 236 780** | | | | | | | | | | | | |

37. The project costs for training and for hardware and software have not been prorated and are included in full for the biennium 2002-2003 for all eight projects; thus, $270,200 is required for training and $3,231,958 for hardware and software, as indicated in table II.16. As regards contractual services, the development costs have been prorated only for the future-direction projects, thus a total of $3,526,220 is required, comprising the full costs of the infrastructure enhancements ($2,023,200) and 24 work-months of a total of 42 work-months of consulting services for the future-direction projects ($1,503,020). Thus, the total estimated resources required for the development of the eight projects in the biennium 2002-2003 is $7,028,378 (see table II.18), with the balance of an estimated $1,236,780 to be appropriated in the biennium 2004-2005. This amount should be charged to the Fund's resources and should not be subjected to cost-sharing with the United Nations; this was the procedure followed by the Fund with regard to its other major technical project implemented in the early 1990s.

38. With respect to maintenance in connection with the implementation of the eight projects, the gross estimated cost is $1,469,714 per annum, one third of which would be borne by the United Nations. However, for the biennium 2002-2003, only the cost of one year's maintenance for the infrastructure enhancement projects has been included, since maintenance is required only once the project has been completed. Thus, a net amount of $468,700 (two thirds of $702,959) is required for the biennium 2002-2003 for maintenance. No maintenance costs for the future-direction projects have been included.

39. Therefore, the total gross project costs for the biennium 2002-2003 are estimated at $7,731,337, of which $702,959 would be subject to the cost-sharing formula.

Table II.18
**Project costs for the biennium 2002-2003**
(United States dollars)

| *Project* | *Hardware software* | *Development* | *Training* | *Total* | *Annual maintenance* |
|---|---|---|---|---|---|
| **Infrastructure development** | | | | | |
| Information security system | 419 300 | 551 800 | 67 400 | 1 038 500 | 177 448 |
| Ethernet migration | 180 400 | 191 400 | 20 000 | 391 800 | 67 144 |
| Workflow system upgrade | 200 000 | 510 000 | 20 000 | 730 000 | 134 000 |
| Knowledge management system | 287 304 | 550 000 | 30 000 | 867 304 | 155 969 |
| Storage area network | 777 485 | 220 000 | 7 800 | 1 005 285 | 168 398 |
| **Future direction** | | | | | |
| Data collection system | 426 226 | 665 600 | 50 000 | 1 141 826 | - |
| Data warehouse system | 527 917 | 371 500 | 25 000 | 924 417 | - |
| Web-enabled applications | 413 326 | 465 920 | 50 000 | 929 246 | - |
| **Total** | **3 231 958** | **3 526 220** | **270 200** | **7 028 378** | **702 959** |

## (b) Executive Office

Table II.19
**Resource requirements: Executive Office**

| *Object of expenditure* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | |
| Posts | 556.1 | - | - | 556.1 | 29.4 | 585.5 |
| **Total** | **556.1** | **-** | **-** | **556.1** | **29.4** | **585.5** |

Table II.20
**Post requirements**

| Category | Established regular budget posts | | Temporary posts | | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | Regular budget | | Extrabudgetary | | | |
| | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 |
| **Professional and above** | | | | | | | | |
| P-5 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-4/3 | 1 | 1 | - | - | - | - | 1 | 1 |
| **Subtotal** | **2** | **2** | - | - | - | - | **2** | **2** |
| **General Service** | | | | | | | | |
| Other level | 3 | 3 | - | - | - | - | 3 | 3 |
| **Subtotal** | **3** | **3** | - | - | - | - | **3** | **3** |
| **Total** | **5** | **5** | - | - | - | - | **5** | **5** |

**Resource requirements (before recosting)**

*Posts*

40 The estimated requirements of $556,100, involving no growth, relates to the continuation of two Professional and three General Service (Other level) posts.

## B. Investment costs

Table II.21
**Resource requirements: investment costs**
(Thousands of United States dollars)

| Object of expenditure | 2000-2001 appropriation | Resource growth | | Total before recosting | Recosting | 2002-2003 estimate |
|---|---|---|---|---|---|---|
| | | Amount | Percentage | | | |
| Posts | 5 639.4 | 36.1 | 0.7 | 5 675.5 | 288.1 | 5 963.6 |
| Other staff costs | 119.4 | 194.3 | 165.8 | 313.7 | 8.4 | 322.1 |
| Travel | 870.5 | 156.2 | 17.9 | 1 026.7 | 31.3 | 1 058.0 |
| Contractual services | 34 291.0 | (1 387.8) | -4.0 | 32 903.2 | 5.1 | 32 908.3 |
| General operating expenses | 1 172.7 | 454.2 | 28.7 | 1 626.9 | 442.3 | 2 069.2 |
| Supplies and materials | 547.8 | 202.0 | 36.7 | 749.8 | 22.5 | 772.3 |
| Furniture and equipment | 351.9 | (50.0) | -14.1 | 301.9 | 9.7 | 311.6 |
| **Total** | **42 992.7** | **(395.0)** | **-0.9** | **42 597.7** | **807.4** | **43 405.1** |

Table II.22
**Post requirements**

| Category | Established regular budget posts | | Temporary posts | | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | Regular budget | | Extrabudgetary | | | |
| | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 |
| **Professional and above** | | | | | | | | |
| D-1 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-5 | 5 | 5 | - | - | - | - | 5 | 5 |
| P-4/3 | 6 | 6 | - | - | - | - | 6 | 6 |
| **Subtotal** | **12** | **12** | - | - | - | - | **12** | **12** |
| **General Service** | | | | | | | | |
| Principal level | 4 | 5 | - | - | - | - | 4 | 5 |
| Other level | 16 | 15 | - | - | - | - | 16 | 15 |
| **Subtotal** | **20** | **20** | - | - | - | - | **20** | **20** |
| **Total** | **32** | **32** | - | - | - | - | **32** | **32** |

Table II.23
**Requirements by component**

| Component | 2000-2001 appropriation | Resource growth | | Total before recosting | Recosting | 2002-2003 estimate |
|---|---|---|---|---|---|---|
| | | Amount | Percentage | | | |
| 1. Executive direction and management | 2 365.6 | 351.3 | 12.7 | 2 716.9 | 500.8 | 3 217.7 |
| 2. Programme of work | | | | | | |
| (a) Investment Section | 37 205.9 | (1 632.4) | -4.4 | 35 573.5 | 133.8 | 35 707.3 |
| (b) Operations Section | 1 446.9 | 0.0 | 0.0 | 1 446.9 | 65.9 | 1 512.8 |
| **Subtotal** | **38 652.8** | **(1 632.4)** | **-4.2** | **37 020.4** | **199.7** | **37 220.1** |
| 3. Programme support: Information Systems Section | 1 974.3 | 886.1 | 44.9 | 2 860.4 | 106.9 | 2 967.3 |
| **Total** | **42 992.7** | **(395.0)** | **-0.9** | **42 597.7** | **807.4** | **43 405.1** |

## 1. Executive Direction and Management: Office of the Director, Investment Management Service

Table II.24
**Resource requirement: Office of the Director, Investment Management Service**

| *Component* | *2000-2001 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | |
| Posts | 914.7 | 0.0 | 0.0 | 914.7 | 53.2 | 967.9 |
| Other staff costs | 119.4 | 194.3 | 165.8 | 313.7 | 8.4 | 322.1 |
| Travel | 870.5 | 156.2 | 17.9 | 1 026.7 | 31.3 | 1 058.0 |
| General operating expenses | 443.5 | 0.0 | 0.0 | 443.5 | 407.4 | 850.9 |
| Hospitality | 2.1 | 0.8 | 38.1 | 2.9 | 0.1 | 3.0 |
| Furniture and equipment | 15.4 | 0.0 | 0.0 | 15.4 | 0.4 | 15.8 |
| **Total** | **2 365.6** | **351.3** | **12.7** | **2 716.9** | **500.8** | **3 217.7** |

Table II.25
**Post requirements**

| *Category* | *Established regular budget posts* | | *Temporary posts* | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | *Regular budget* | | *Extrabudgetary* | | *Total* | |
| | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* | *2000-2001* | *2002-2003* |
| **Professional and above** | | | | | | | | |
| D-2 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-4/3 | 1 | 1 | - | - | - | - | 1 | 1 |
| **Subtotal** | **2** | **2** | **-** | **-** | **-** | **-** | **2** | **2** |
| **General Service** | | | | | | | | |
| Other level | 3 | 3 | - | - | - | - | 3 | 3 |
| **Total** | **5** | **5** | **-** | **-** | **-** | **-** | **5** | **5** |

### Resource requirements (before recosting)

*Posts*

41. The estimated requirements of $914,700 relate to the continuation of the posts of the Director (D-2) and the Secretary of the Investments Committee (P-4) and three General Service (Other level) posts.

*Other staff costs*

42. The estimated requirements of $313,700 cover all the activities, programmes and subprogrammes of the Investment Management Service and comprise: (a) general temporary assistance for sick leave and maternity leave and during peak periods, especially year-end closings ($68,200); (b) overtime ($67,700) required for peak workload periods; and (c) training of staff on

new computer systems and for staff attendance at investment-related courses and seminars to enable staff to stay abreast of new ideas and technology in their respective areas ($177,800), the latter involving growth of $142,000.

*Travel*

43. The estimated requirements of $1,026,700, involving growth of $156,200, relate to: (a) staff travel ($349,100), involving visits with companies and investment institutions to enable the investment group to obtain the up-to-date and reliable information needed to make sound investment decisions, participation in investment-related conferences and seminars, custody-related activities, and Pension Board and Investments Committee meetings, and (b) travel of members to meetings of the Investments Committee ($677,600).

44. Because of the expected volatility in the financial markets and the recent rotation of the Investment Management Service investment managers, travel by investment staff is expected to double during the biennium 2002-2003. More accurate and credible information is normally obtained during visits with company officials. The rotation of managers provides better flexibility, especially in the current investment environment. The Investments Committee extended the duration of its meetings from one to two days. The extra day provides the Investments Committee with more time to review the performance of the Fund before formulating strategy and asset allocation recommendations to the Secretary-General.

*General operating expenses*

45. The estimated requirements of $443,500 relate to the rental of premises occupied by the Investment Management Service at United Nations Headquarters (see paragraph 7 above regarding recosting).

*Hospitality*

46. The estimated requirements of $2,900, reflecting a small increase of $800, relates to official functions.

*Furniture and equipment*

47. The estimated requirements of $15,400, reflecting no resource growth, relate to the purchase of office furniture that is not provided by the United Nations.

## 2. Programme of work

### (a) Investment Section

Table II.26
**Resource requirements: Investment Section**
(Thousands of United States dollars)

| Component | 2000-2001 appropriation | Resource growth | | Total before recosting | Recosting | 2002-2003 estimate |
|---|---|---|---|---|---|---|
| | | Amount | Percentage | | | |
| Posts | 2 914.9 | (244.6) | -8.5 | 2 670.3 | 128.7 | 2 799.0 |
| Contractual services | 34 291.0 | (1 387.8) | -4.0 | 32 903.2 | 5.1 | 32 908.3 |
| **Total** | **37 205.9** | **(1 632.4)** | **-4.4** | **35 573.5** | **133.8** | **35 707.3** |

Table II.27
**Post requirements**
(Thousands of United States dollars)

| Category | Established regular budget posts | | Temporary posts | | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | Regular budget | | Extrabudgetary | | | |
| | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 |
| **Professional and above** | | | | | | | | |
| P-5 | 4 | 3 | - | - | - | - | 4 | 3 |
| P-4/3 | 3 | 3 | - | - | - | - | 3 | 3 |
| **Subtotal** | **7** | **6** | **-** | **-** | **-** | **-** | **7** | **6** |
| **General Service** | | | | | | | | |
| Principal level | 3 | 4 | - | - | - | - | 3 | 4 |
| Other level | 5 | 4 | - | - | - | - | 5 | 4 |
| **Subtotal** | **8** | **8** | **-** | **-** | **-** | **-** | **8** | **8** |
| **Total** | **15** | **14** | **-** | **-** | **-** | **-** | **15** | **14** |

*Posts*

48. The estimated requirements of ($2,670,300) relate to six of the seven existing Professional posts and eight General Service posts (4 Principal level and 4 Other level). Of the seven existing Professional posts, one at the P-5 level has been recommended for redeployment to the Information Systems Section with effect from the biennium 2000-2001. One of the four General Service posts at the Principal level reflects the proposed reclassification of an investment management assistant in the Fixed Income Unit from G-6 to G-7.

49. This reclassification is requested in recognition of the increased responsibilities with respect to handling investment matters when the investment officer is away. Owing to the lack of resources, there is only one officer handling the global fixed-income portfolio, which has different investment characteristics from equities. The assistant, over the past three years, has played an

important role, sometimes, involving investment decisions. The revised job description was submitted for review by the Office of Human Resources Management.

*Contractual services*

50. The estimated requirements of $32,903,200, involving negative growth of $1,387,800, relate to the cost of: (a) advisory and custodial services ($32,734,200); and (b) investment and legal consultants ($169,000). With respect to (a), the advisory fees on small capitalization accounts managed on a discretionary basis are based on the market value of those investments, while other advisory or custodial fees are based on flat dollar amounts. However, the current contracts with investment advisers will expire on 31 December 2001. It is estimated that the advisers will request increases at least equal to inflation, estimated to be in the range of 2.6 to 3.5 per cent during the biennium 2002-2003. With respect to (b), the amount requested relates to the need for special consulting and legal services, mainly for negotiations of contracts and other legal services required by the Investment Management Service from time to time.

51. A breakdown of the fees for the four fixed-fee advisers, the small cap advisers and the custodian is provided in table II.28.

Table II.28
**Breakdown of advisory and custodial fees**
(United States dollars)

| | *2001 appropriation* | *2000-2001 revised estimate* | *2002-2003 estimate* |
|---|---|---|---|
| Advisory | | | |
| Fixed fees | 15 257 000 | 15 254 880 | 16 300 000 |
| Small cap | 7 800 000 | 6 842 647 | 8 535 000 |
| **Subtotal** | **22 537 000** | **22 097 527** | **24 835 000** |
| Custodial | 11 585 000 | 7 899 200 | 7 899 200 |
| **Total** | **34 122 000** | **29 996 727** | **32 734 200** |

## (b) Operations Section

Table II.29
**Resource requirements: Operations Section**

| *Component* | *2000-2001 appropriations* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|
| | | *Amount* | *Percentage* | | | |
| Posts | 1 446.9 | - | - | 1 446.9 | 65.9 | 1 512.8 |
| **Total** | **1 446.9** | - | - | **1 446.9** | **65.9** | **1 512.8** |

Table II.30
**Post requirements**

| Category | Established regular budget posts | | Temporary posts | | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | Regular budget | | Extrabudgetary | | | |
| | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 |
| **Professional and above** | | | | | | | | |
| P-5 | 1 | 1 | - | - | - | - | 1 | 1 |
| P-4/3 | 1 | 1 | - | - | - | - | 1 | 1 |
| **Subtotal** | **2** | **2** | **-** | **-** | **-** | **-** | **2** | **2** |
| **General Service** | | | | | | | | |
| Principal level | 1 | 1 | - | - | - | - | 1 | 1 |
| Other level | 7 | 7 | - | - | - | - | 8 | 8 |
| **Subtotal** | **8** | **8** | **-** | **-** | **-** | **-** | **8** | **8** |
| **Total** | **10** | **10** | **-** | **-** | **-** | **-** | **10** | **10** |

*Posts*

52. The estimated requirements of $1,446,900 involve no growth and relate to the continuation of two Professional posts, one General Service (Principal level) post and seven General Service (Other level) posts.

### 3. Programme support: Information Systems Section

53. The Information Systems Section is responsible for the development, administration and maintenance of the information systems infrastructure.

#### Outputs

54. During the biennium 2002-2003, the following outputs will be delivered:

(a) Continue the upgrading of network administration for the smooth operation of the Investment Management Service local area network and its own email and Internet arrangements so as to enable the Service staff to communicate effectively with the financial community;

(b) Develop, maintain and configure office automation systems, arrange for the training of staff as required and arrange for the introduction of new hardware and software;

(c) Administer and maintain the portfolio management systems and the multi-currency accounting system;

(d) Develop, administer and maintain systems for the processing of equity recommendations and orders; and administer and configure data and research systems supplied by outside vendors;

(e) Develop, administer and maintain system interface with investment advisers, custodians, bankers and financial institutions.

Table II.31
**Resource requirements (at current rates)**

(Thousands of United States dollars)

| Object of expenditure | 2000-2001 appropriation | Resource growth | | Total before recosting | Recosting | 2002-2003 estimate |
|---|---|---|---|---|---|---|
| | | Amount | Percentage | | | |
| Posts | 362.9 | 280.7 | 78.8 | 643.6 | 40.3 | 683.9 |
| General operating expenses | 727.1 | 453.4 | 62.1 | 1 180.5 | 34.8 | 1 215.3 |
| Supplies and materials | 547.8 | 202.0 | 36.7 | 749.8 | 22.5 | 772.3 |
| Furniture and equipment | 336.5 | (50.0) | (14.8) | 286.5 | 9.3 | 295.8 |
| **Total** | **1 974.1** | **886.1** | **44.9** | **2 860.4** | **106.9** | **2 967.3** |

Table II.32
**Post requirements**

| Category | Established regular budget posts | | Temporary posts | | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | Regular budget | | Extrabudgetary | | | |
| | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 | 2000-2001 | 2002-2003 |
| **Professional and above** | | | | | | | | |
| P-5 | - | 1 | - | - | - | - | - | 1 |
| P-4/3 | 1 | 1 | - | - | - | - | 1 | 1 |
| **Subtotal** | **1** | **2** | **-** | **-** | **-** | **-** | **1** | **2** |
| **General Service** | | | | | | | | |
| Other level | 1 | 1 | - | - | - | - | 1 | 1 |
| **Total** | **2** | **3** | **-** | **-** | **-** | **-** | **2** | **3** |

*Posts*

55. The estimated requirements of $643,600 relate to two Professional posts, one P-5 and one P-4. The new P-5 post is the result of the redeployment of an investment officer post that was urgently needed before the end of the biennium 2000-2001 to enable the Service to operate its current systems without interruption. Those functions have been performed by a consultant for almost three years, and it was deemed necessary to have a post at this level in order to recruit a technician with the requisite skills. The contract of the consultant expired on 30 June 2001. To request a new post would delay the recruitment until January 2002 if approved. The management felt it necessary to redeploy an existing post at the same level; additional resources are not needed for this redeployment.

*General operating expenses*

56. The proposed estimates of $1,180,500 for the biennium 2002-2003 involve growth of $453,400 and comprise communications services ($209,500), bank charges ($897,900) and miscellaneous supplies and services ($73,100). The additional resources for communication services relate to upgrading the communications hardware and software to take advantage of new technology for interfacing with custodians and other financial institutions that provide electronic

data to the Investment Management Service. Additional resources are also needed for subscriptions to financial publications and to purchase reference books. These will enable the Investment Management Service to take advantage of rapid access to information that may affect the financial markets. Included under this heading are expenditures for office supplies and miscellaneous services, including in-house production of Investments Committee documentation. The resources requested for bank charges, at the maintenance level, would be fully or largely offset by interest earned on the additional monies available with the elimination of minimum deposits at most of the banks used by the Fund; banking charges will be reviewed in detail during the biennium with a view to standardizing and simplifying banking arrangements.

*Supplies and materials*

57. The estimated requirements of $749,800, involving growth of $202,000, relate to securing electronic access to additional investment data so as to enable more informed investment decision-making. The technology for obtaining investment information is constantly being upgraded; the resources requested would provide coverage for the existing systems and maintenance of equipment already purchased.

*Furniture and equipment*

58. The estimated requirements of $286,500 relate to the purchase of software and computers as well as computer-related equipment and furniture, involving: (a) upgrading servers; (b) upgrading all personal computers to Pentium class with Windows NT; (c) adding hard drives and memory; (d) acquiring software to replace the securities reporting system; and (e) replacing the monitors because of lack of space in working areas.

## C. Audit costs

59. The audit costs relate to the internal and external auditing of the administrative operations of the Fund secretariat and the investment operations of the Investment Management Service. Based on past experience and indications provided by the Fund's external auditors, about half of the audit costs (both internal and external) relate to administrative operations and half relate to investment activities. Furthermore, one third of the audit costs of the Fund's administrative operations (i.e., 16.7 per cent of the total) is borne by the United Nations under the cost-sharing arrangement.

Table II.33
**Resource requirements: audit costs**
(Thousands of United States dollars)

| *Object of expenditure* | *1998-1999 expenditure* | *2000-2001 appropriations* | *Resource growth* | | *Total before recosting* | *Recosting* | *2002-2003 estimate* |
|---|---|---|---|---|---|---|---|
| | | | *Amount* | *Percentage* | | | |
| External audit | 164.0 | 338.6 | 4.9 | 1.4 | 343.5 | 10.9 | 354.4 |
| Internal audit | 367.8 | 459.2 | 92.2 | 19.0 | 551.4 | 67.7 | 619.1 |
| **Total** | **531.8** | **797.8** | **97.1** | **11.7** | **894.9** | **78.6** | **973.5** |

**External audit**

60. The estimated requirements of $343,500 for external audits, reflecting growth of $4,900 relating to the audit of the Geneva office, is as indicated by the United Nations Board of Auditors. In addition, 16.7 per cent would be charged to the United Nations under the established cost-sharing formula.

**Internal audit**

61. The estimated requirements of $551,400, reflecting growth of $92,200, for internal audits of the Fund's operations by the Office of Internal Oversight Services are based on resource requirements that were discussed between the Fund's Chief Executive Officer and the Under-Secretary-General for Office of Internal Oversight Services. They were adjusted to take into account the 16.7 per cent share of such costs that would be borne by the United Nations under the cost-sharing arrangement. The resources requested take into account the wide scope and complexity of the proposed internal audits during the biennium 2002-2003 and the staffing and other needs required to carry out the work effectively, in conformity with accepted professional auditing standards. The total resources to be made available to the Office of Internal Oversight Services will cover: (a) all staffing costs, including professional and technical supervision and administrative support; and (b) non-staff costs, such as those related to travel, consultancies for operational/management audits, training and equipment.

# Annex III

## List of participants in the Standing Committee

### A. Members and alternates

| *Representing* | *Members* | *Alternates* |
|---|---|---|
| **United Nations** | | |
| General Assembly | Mr. V. Vislykh | Mr. K. Akimoto |
| General Assembly | Ms. S. McLurg | |
| Secretary-General | Mr. J.-P. Halbwachs | Mr. K. Walton |
| Secretary-General | Ms. R. Salim | Mr. J. Pozenel |
| Participants | Mr. J.-M. Jakobowicz | Mr. J. Mathews |
| Participants | Mr. J. Bravo | Mr. C. Hackett |
| **Food and Agriculture Organization of the United Nations** | | |
| Governing body | | Ms. K. Ratanakomut |
| Participants | Mr. C. Cherubini | Mr. M. Pace |
| **World Health Organization** | | |
| Governing body | Dr. J. Larivière (Chairperson) | |
| Executive head | Ms. H. Wild | |
| **International Labour Organization** | | |
| Governing body | Mr. W. Ringkamp | |
| **United Nations Educational, Scientific and Cultural Organization** | | |
| Executive head | Mr. A. Egoshkin | |
| **International Civil Aviation Organization** | | |
| Participants | Mr. R. G. Menzel | |
| **International Atomic Energy Agency** | | |
| Participants | Mr. W. P. Scherzer | Mr. D. Neal |
| **International Maritime Organization** | | |
| Governing body | Mr. E. Conte | |
| **World Intellectual Property Organization** | | |
| Executive head | Mrs. T. Dayer | |

## B. Representatives, secretaries and observers of staff pension committees

| *Representatives* | *Organization* | *Representing* |
|---|---|---|
| Mr. J. C. Campagnaro | World Health Organization | Participants |
| Ms. R. Mayanja | Food and Agriculture Organization of the United Nations | Executive Head |
| Mr. Y. Lijadu | United Nations Educational, Scientific and Cultural Organization | Governing Body |
| Mrs. J. Taillefer | United Nations Educational, Scientific and Cultural Organization | Participants |
| Mr. A. Busca | International Labour Organization | Executive Head |
| Mr. P. Sayour | International Labour Organization | Participants |
| Mr. P. Thema | International Atomic Energy Agency | Governing Body |
| Mr. D. Goethel | International Atomic Energy Agency | Executive Head |
| Mr. R. Roul | World Intellectual Property Organization | Governing Body |
| Mr. V. Yossifov | World Intellectual Property Organization | Participants |
| Mr. L. de Chiara | International Telecommunication Union | Governing Body |
| Mr. D. J. Goossen | International Telecommunication Union | Executive Head |
| Mr. J.-L. Lawson | International Fund for Agricultural Development | Executive Head |
| Mr. D. Bertaud | International Maritime Organization | Participants |
| Mr. S. Mbele-Mbong | World Meteorological Organization | Participants |
| Mr. J. Ocampo | International Civil Aviation Organization | Executive Head |
| Ms. F. Misiti | International Centre for Genetic Engineering and Biotechnology | Executive Head |
| Mr. G. Saddler | Federal Associations of Former International Civil Servants | Pensioners |
| Mr. A. Tholle (Alternate) | Federal Associations of Former International Civil Servants | Pensioners |

| *Secretaries* | *Organization* |
|---|---|
| Ms. A. Van Hulle-Colbert | World Health Organization |
| Ms. M. Hernandez (Acting) | United Nations Educational, Scientific and Cultural Organization |
| Ms. C. McGarry | International Labour Organization |
| Ms. R. Sabat | International Atomic Energy Agency |
| Ms. M. Wilson | International Telecommunication Union |
| Mr. M. Peeters | World Meteorological Organization |
| Mrs. T. Dayer | World Intellectual Property Organization |
| Ms. J. Sisto | International Fund for Agricultural Development |
| Mrs. C. Gallagher-Croxen | International Civil Aviation Organization |
| Ms. F. Misiti | International Centre for Genetic Engineering and Biotechnology |

| *Observers* | *Organization* |
|---|---|
| Ms. A.M. Pinou | Federation of International Civil Servants' Associations |
| Mr. M. Ordelt | International Civil Service Commission |
| Mr. J. Nicoson | International Monetary Fund |
| Mr. R. Luther | World Trade Organization |
| Mr. A. Marcucci | Working Group member |

## C. Other participants

**Committee of Actuaries**

Mr. H. Perez Montas, Rapporteur a.i.

**Consulting Actuary**

Mr. J. McGrath

**Representative of the Secretary-General for the investments of the Fund**

Mr. J. E. Connor

**Investments Committee**

Ms. F. Bovich

**Medical consultant**

Dr. S. Narula, United Nations Medical Director

Dr. S. Oleinikov, United Nations Medical Service

**United Nations Joint Staff Pension Fund staff**

**Secretariat**

Mr. B. Cochemé, Chief Executive Officer/Secretary

Mr. J. P. Dietz, Deputy Chief Executive Officer/Deputy Secretary

Ms. D. Bull, Chief of Operations

Mr. G. Ferrari, Chief, Geneva office

Ms. D. Benbaruk, Senior Legal Officer

Mr. P. Dooley, Chief, Information Management Systems Section

Mr. H. O'Donnell, Chief, Financial Services Section

Ms. N. Fitzgerald, Chief, Pension Entitlements Section

Ms. J. Charles, Executive Officer

Mr. F. DeTurris, Relations and Liaison Officer

**Investment Management Service**

Mr. H. Ouma, Director, Investment Management Service

Ms. P. Sinikallio, Secretary, Investments Committee

Mr. D. Liberatore, Investment Management Service

# Annex IV

## Discussions in the Standing Committee on the revised budget estimates for the biennium 2000-2001 and on the budget estimates for the biennium 2002-2003

### A. Revised budget estimates for the biennium 2000-2001

1. The revised budget estimates for the biennium 2000-2001 submitted by the Chief Executive Officer (CEO)/Secretary amounted to $60,302,200, a reduction of $1,998,900 from the prior appropriations of $62,301,100 approved by the General Assembly in 1999. The proposed decrease, at 2001 costs, related to an increase of $596,000 under administrative costs for contractual services ($592,000) and travel ($4,000) for phase 1 of the re-engineering project and a decrease of $2,594,900 under investment costs. Under the latter, increases consisted of increased requirements of $115,800 under other staff costs for temporary assistance, overtime and training; $43,000 in general operating expenses related to communication services and miscellaneous supplies and services; $176,000 under supplies and materials for investment reference services; $58,000 under furniture and equipment for data-processing equipment; and $1,200,000 for the purchase of an investment accounting system under contractual services; and a decrease of $4,125,200 for advisory and custodial services under contractual services.

2. Explanations were provided as regards the expenditures for the re-engineering project under administrative costs.

3. Questions relating to investment costs were raised on the following points: communication, training, mailing of documentation, overtime and increases in contractual expenses related to the new investment accounting system.

4. In responding to questions by representatives of participants and executive heads, it was explained that requirements for training and for a new communication system had increased because several of the current service providers had either introduced new systems or upgraded the systems and services that were already used by the Investment Management Service. Those upgrades by the service providers could not have been foreseen when the Fund's original budget was prepared. In response to a question on increased costs for the mailing of documentation, it was explained that the increase related to express and courier mail services used to send documents worldwide. It was emphasized that no unappropriated funds had been spent.

5. The increased amount of overtime was caused by the adoption of a temporary investment accounting system, as the old accounting system was not year-2000-compliant. The Fund's master record keeper was requested, under a separate side contract, to take over investment accounting operations on a temporary basis, pending the Service's establishment of its own accounting system. The interim period and the transfer of data from the old system to the master record keeper's system required an unforeseen amount of work, which was necessary in order for the Fund to close its accounts on time.

6. Relying on the master record keeper for an investment accounting system was a temporary measure and, as pointed out by both internal and external auditors, the Fund requires an internal accounting system to ensure the continuity of accounting in case the Fund decides to change its master record keeper. A preliminary study has been undertaken, and all cost estimates in the revised budget proposal were based on this study. A request for proposal to retain a firm to design and implement a new investment accounting system that would be compatible with the accounting system used by the Fund needs to be issued. Since the accounting system requires expertise that is

not available in the Service, a consultant will be hired to draft the request for proposal and to assess and analyse the responses. As this preliminary study had not yet been undertaken when the original budget was written, estimated costs were not included, as the Service had no expertise even to make preliminary estimates of the expenses.

7. In responding to concerns raised by a representative of a governing body, it was explained that according to United Nations budgetary requirements the new accounting system could be included under contractual services, since the new system would be established by an outside consultant.

8. The Standing Committee requested additional information on costs relating to the investment accounting system, which was provided by the Service.

9. Clarification was requested by representatives of governing bodies as to where the savings had occurred in investment costs. It was explained that when the original budget had been prepared, the Service had been in the process of negotiating a new fee structure for its custody, master record-keeping and advisory services, which had previously been set according to the market value of the Fund. The new contracts were based on a flat fee that did not depend on the market value of the Fund or the number of transactions. This resulted in substantial savings compared with the costs estimated when the budget was prepared. The time frame of the service contracts in the Investment Management Service did not correspond with the biennial budgets of the Fund.

10. Clarification was requested on the need for an investment accounting system in the form of a conference room paper from the Secretariat, since there was concern as to the urgency of the project and the need for such expenditure in the last six months of the biennium 2000-2001.

11. The Standing Committee subsequently decided that a working group should be formed, consisting of two persons from each of the constituent groups and a representative from the Federation of Associations of Former International Civil Servants, to review the revised estimates for 2000-2001 in conjunction with the proposed budget for the biennium 2002-2003, since the two subjects were linked.

12. The Working Group reached consensus conclusions on the revised estimates for 2000-2001, which are summarized below.

13. The Working Group was not yet convinced of the need for an expenditure of $1,200,000 for a new investment accounting system at this juncture, but was prepared to support an expenditure of $100,000 for a feasibility study to be carried out on the possibility of utilizing the Lawson system; continuing with the services of the master record keeper and a possible combination of both approaches. They recognized the audit observations in this regard, and also felt that it was important to look at the staffing implications for each of the three options and requested that the Fund secretariat report to the Board at its next session.

14. With regard to the other costs under investments, the Working Group was prepared to support the revised estimates on the understanding that there would be an improvement in the planning and forecasting of budgets in future in order to avoid the need for revised estimates.

15. The Working Group supported the expenditures for phase 1 of the re-engineering project under administrative costs.

16. The Committee approved the conclusions of the Working Group and therefore approved revised estimates for the biennium 2000-2001 of $59,202,200, representing a reduction of $3,098,900 from the prior approved appropriations of $62,301,100 for the biennium.

## B. Budget estimates for the biennium 2002-2003

17. The Standing Committee had before it the budget estimates submitted by the CEO/Secretary for the biennium 2002-2003 providing for net expenditures of $75,102,300, as compared with expenditures of $53,946,900 for the biennium 1998-1999 and appropriations of $62,301,100 approved by the General Assembly for the biennium 2000-2001. The resources requested by the CEO/Secretary for the biennium 2002-2003 comprised $30,502,400 for administrative costs, $43,626,400 for investment costs and $973,500 for audit costs.

18. The estimated administrative costs ($30,502,400) included resource growth of $10,545,800, of which 15.5 per cent was real growth (i.e., excluding non-recurrent costs). In its report to the Board in 1998, the Committee of Actuaries recommended that the administrative expenses of the Fund be included in the actuarial valuation not as a fixed percentage of pensionable remuneration but rather at the level of resources actually required for the administration of the Fund, as reflected in its approved budget. The recommendation had been made on the basis of the fact that the Fund was maturing and administrative expenses were expected to increase as a percentage of pensionable remuneration.

19. The CEO/Secretary introduced the budget document and addressed the three components of the budget, namely administrative, investment and audit costs. He also indicated that the proposals for administrative costs, reflecting the Fund's service-oriented operations, were presented under the newly adopted United Nations results-based budgeting concept. The requests for additional resources related primarily to the process re-engineering project (85 per cent), the enhancement of the Geneva office (5 per cent) and the reorganization of the Fund's secretariat to reflect the Chief Executive Officer's vision of the Fund. The related requests in human resources involved 16 new posts, 6 reclassifications, 4 conversions of posts funded by temporary assistance to established status, $3,918,600 under contractual services and $572,000 under general operating expenses (both related mainly to the re-engineering project), plus some $616,400 relating to the increase in the rental cost for premises in New York and alterations and improvements to the computer room and new office space. The CEO/Secretary noted that most of the expenditures in information technology were non-recurrent costs. The proposals under audit costs, reflecting growth of $78,600 at 2002-2003 costs, related to the Fund's share of the cost for internal and external audits of its operations.

20. Under investment costs, it was stated that the budget submission reflected primarily the request for one new post that was needed, given the growth of the Fund and the need to intensify the monitoring of investments, one reclassification and negative growth of $1,387,800 related to advisory and custodial services.

21. There was an exchange of views in the Standing Committee on the budget proposals of the CEO/Secretary. The representatives of the participants stated that they fully supported the CEO/Secretary's objectives and proposals, particularly those related to the enhancement of the Geneva office; several speakers asked why posts were not being redeployed from New York to Geneva to correspond to the transfer of workload. A number of queries were raised regarding the recosting and the methods used to calculate the budget, as well as the presentation itself, which was recognized as the first attempt at results-based budgeting. A representative of a governing body expressed the view that the budget should provide projections of longer-term expenditure forecasts.

22. The representative of the Federation of Associations of Former International Civil Servants indicated that the Federation, having discussed, at its recent session, the proposed budget for 2002-2003 as well as the documents on the longer-term re-engineering and on the enhancement of the Geneva office, and taking note of the framework for the longer-term vision and objectives of the

Pension Fund, strongly supported the proposals contained in the document before the Standing Committee. The representative further stressed that the improved performance of the Fund secretariat could help to make life in retirement less complicated and less stressful.

23. The CEO/Secretary stated that he could understand why queries were raised regarding the request for new posts in Geneva; however, the work undertaken in New York related also to cases not yet computerized, including many cases of survivors and divorced spouses as well as a backlog of old cases. Although productivity gains were expected as a result of the re-engineering project, the CEO/Secretary stated that he was not in a position to transfer posts in the forthcoming biennium.

24. As regards investments costs, in responding to a question by a representative of the participants, it was clarified that a P-5 post was urgently needed in the Investment Management Service; therefore the reclassification of a vacant P-5 investment officer post was requested to ensure speedy recruitment. An additional P-5 post was requested to replace the investment officer post. The Pension Fund of about $22 billion was currently managed by only eight managers, which was too few. The Director of the Investment Management Service stated that information technology requirements in the Service differed from those of the Pension Fund, where expertise in data processing and collection was mostly needed. In the Service, Internet and interface expertise was needed to enable it to interface with financial institutions and to benefit from portfolio management tools provided by Bloomberg, Reuters, Wilshire and others.

25. The Committee decided to form a working group composed of two members from each of the constituent groups, and a representative from the Federation of Associations of Former International Civil Servants to review the budget proposals for 2002-2003 and to make recommendations to facilitate reaching agreement by consensus.

26. The Working Group reached consensus conclusions, which are summarized as follows:

(a) The Working Group noted that this was the first budget presentation by the new CEO/Secretary, as well as the Fund's first experience in presenting its budget submission in a results-based budget format. The Group recognized that this had not been an easy process for the Fund secretariat. Future presentations should include a comprehensive executive summary by the CEO/Secretary showing a concise view of the budget requests for all three main components: administrative costs, investment costs and audit costs. While it was helpful to see the expected accomplishments of the various programmes in the Fund, the indicators of achievement should be tightened and measurements of achievement should be reflected. The Group encouraged the Fund secretariat to present its budget submissions in a format that would be readily understood, concise and more structured. The Working Group appreciated supporting documents that outlined the Chief Executive Officer's long-term vision of the Fund's mission and objectives, the Fund's longer-term re-engineering project and the implementation plan for the further enhancement of the Geneva office (summarized in annex IV). The Group felt it important to express its full support for the CEO/Secretary in his overall plans for modernization. It was noted that, given the level of the increases requested for information technology costs, no further sizeable increases in requirements would be expected in the near future;

(b) As regards the requests for staffing resources, the Working Group, while not objecting to the requests for reclassification per se, was not prepared at this time to recommend them. It would be necessary to carry out a whole office review of the staffing structure and levels of both the Fund secretariat and the Investment Management Service in the light of the new structure and to report to the Board at its next session. Accordingly, the Group deferred its recommendations on all requested reclassifications;

(c) Concerning the request for a P-3 post in the Executive Office, the Working Group was not yet convinced it was warranted; the work could continue to be performed by existing staff. On the other hand, the Group found justification for the request by the CEO/Secretary for two General Service temporary positions for the re-engineering project in the pension entitlements area;

(d) The request for a General Service (Other level) staff member in the operations area was not supported. The Working Group recalled that two years ago a similar proposal had been turned down, with a recommendation for filling the position through the redeployment of staff; the Group wished to re-emphasize that recommendation. The conversion of temporary staff to established posts in the Geneva office was warranted, and the addition of four new posts, rather than six, was justified;

(e) Turning to information management systems (and setting aside the reclassification of a post from P-5 to D-1), the Working Group was prepared to support the re-engineering projects. The latter was a very important move, in a new direction, though quite ambitious. The Group hoped it was not overly ambitious, and therefore asked the CEO/Secretary to review the proposed time frame for delivery;

(f) The Working Group felt that the P-3 in the Computer Operations Unit and the two General Service posts were necessary. With respect to the second General Service staff member, however, it was understood that the work would be related to the new Intranet project, which would not be developed until 2003, so provision for that post should take effect as from 2003. With all the new technology projects planned, the Group considered that a new P-4 technology officer was justified. The P-3 contracts officer, who would work on and manage the projects, would perform an important, yet temporary, function. Funding for that post should therefore be in the form of temporary assistance. The same should apply to two P-4 posts for the Application Programming Unit. Considering the increased demands and the fact that the existing database administrator had no backup, a P-3 database administrator was justified, as were the conversions of existing positions funded by general temporary assistance to established posts;

(g) Turning to investment costs, the Working Group believed that the resources requested for an additional P-5 post should be deferred. It would be important to see the outcome of the feasibility study on the investment accounting system, which was funded during the current biennium. While recognizing the need for technology support, the Group would encourage the use of existing resources within the Investment Management Service and the Fund secretariat in the meantime;

(h) As for office accommodations, the Working Group supported the proposals of the CEO/Secretary and suggested that he look into the possibility of acquiring premises outside of the United Nations for the Fund secretariat, including relocation options for back-office processing, and report to the Pension Board on this matter at its next session.

27. The Standing Committee accepted the conclusions of the Working Group.

28. The CEO/Secretary stated that the approved investments in the Fund, particularly those related to the re-engineering project, would prepare the Fund for the challenges ahead and was encouraging for management since the Standing Committee had respected the objectives outlined in his longer-term strategy paper. He noted with regret that action on the approval of all of his reclassification requests and the restructuring proposal for the information technology area had been deferred until the next Board session. Also, the non-approval of the P-3 post in the Executive Office would delay inevitably the implementation of the proposed performance measuring and reporting system.

29. The Standing Committee approved the submission to the General Assembly of the proposed budget estimates for the biennium 2002-2003, amounting to $74,322,400 after incorporation of the conclusions reached by the Committee.

# Annex V

## Discussions in the Standing Committee on upcoming projects having major budgetary implications

### A. Framework for longer-term vision and objectives of the United Nations Joint Staff Pension Fund

1. The Chief Executive Officer (CEO)/Secretary introduced a management charter for the Fund, which was intended to strengthen the Fund's relationship with all its constituents and to maximize its administrative and operational efficiency in an environment of ongoing communication and cooperation. He noted that in the development of the charter, the underlying consideration was to reinforce the Fund's responsiveness and service towards its clients. In this connection, the charter aims to develop an organizational culture that would be responsive and results-oriented and would affirm a strong commitment to being a service-oriented pension fund. In attempting to achieve this aim, the CEO/Secretary identified the Fund's overall goals, objectives and related action plans for the remainder of the current biennium and for the biennium 2002-2003.

2. The CEO/Secretary stressed that the charter would provide a better way of measuring performance by placing enhanced focus on managerial accountability. He also noted that the Fund would require appropriate benchmarking against proven leaders in the pension field and the implementation of a top-grade reporting system.

3. The following mission statement for the Fund was contained in the charter: Our mission is to manage the Fund under the authority of the Board and to provide pension income and related benefits to retirees and other beneficiaries in the best conditions of security, performance, responsibility and accountability, while maintaining full compliance with the highest standards of efficiency, competence and integrity.

4. The CEO/Secretary highlighted the major challenges that the Fund would face in carrying out its mission, including, most notably, increasing life expectancy and the consequent increases in the Fund's workload, the growing complexity of the Fund's regulations, the increasing demand for wider and better two-way communication, greater reliance on investment income, a greater need for more up-to-date statistics and research reports and the need to preserve a high-quality institutional image and signature.

5. The CEO/Secretary further noted that the challenges could be surmounted if the Fund could meet six main objectives during the reporting period, namely: (a) to strengthen the overall direction and supervision of the Fund's operations and activities by the Office of the Chief Executive Officer; (b) to develop a Web-based information system; (c) to ensure that clients receive quality services in a timely manner; (d) to develop an investment policy and strategic asset allocation that would reflect the Fund's strategic purpose of funding liabilities; (e) to develop a coordinated, results-based approach in the direction and administration of the day-to-day operations; and (f) to develop a more enhanced communication policy for the purpose of disseminating information on the activities of the Fund.

6. The CEO/Secretary also pointed out that the charter contained a detailed action plan with respect to each of the objectives. It was noted, however, that as some of

the proposed objectives had budgetary implications, the full implementation of the related action plan would have to be contingent on the availability of the required resources.

7. The Standing Committee noted with appreciation the CEO/Secretary's presentation of the key management objectives and expressed its support for the further development of quantified performance indicators.

## B. Longer-term process re-engineering and computer needs

8. At its session in 2000, the Board requested the Chief Executive Officer to proceed with the next phase of the re-engineering study, which began in 1999. It was indicated that more strategic planning was necessary, with the milestones and overall costs and benefits elaborated upon in detail, since it was important that the Standing Committee be apprised of the complete picture before the Fund secretariat embarked on the totality of this project.

9. In taking into consideration the various concerns and conditions stated by the constituent groups in the Board as regards process re-engineering and information technology, the Chief Executive Officer proceeded to contract for the services of consultants with a mandate: (a) to further develop the vision and concepts agreed to by the Board; and (b) to assess the costs related to a comprehensive solution.

10. Two additional consulting studies were, therefore, commissioned in 2001 to address the mandate of the Board. The first, entitled "Process re-engineering study: detailed discovery and initial design", was an extension of the previous process re-engineering study and provided an in-depth evaluation of key processes as they related to the Fund's core business functions. It also identified related opportunities for process improvement through automation. The second study, entitled "Technology assessment study: strategic technology", analysed and identified specific technologies that, when deployed, would provide the greatest financial and quality-of-service impact. These two studies supplied the blueprint for the future recommended process-based technology architecture of the Fund.

11. After reviewing the findings of the consultants, the Fund secretariat concluded that 8 out of 10 recommended projects should be considered for implementation as part of the Fund's long-term strategy. Of the eight projects selected, three were classified under "future direction" and five under "infrastructure enhancement".

12. With respect to resource requirements, the Fund secretariat informed the Standing Committee that approximately $8.2 million would be necessary to implement the projects in their entirety over the next three years. Additional costs for office space and increases in the number of established posts would also be required to build and maintain the infrastructure supporting the core functions of the information technology operation. It was indicated that without those resources, the projects described in the report could not be properly managed and supported.

13. As a result, eight additional established posts were requested for the biennium 2002-2003. Those posts would provide support for core information technology functions that related to ongoing maintenance, project management, technology research, contract administration, help desk support and production control. It was expected that the increase in posts would also provide needed support for the Fund's understaffed Information Management Systems Section and bring overall

information technology staffing in line with acceptable United Nations and industry levels. The description of each requested post and the related financial impact were provided in the budget estimates for the biennium 2002-2003.

14. The Chief Executive Officer/Secretary recommended that all non-recurrent costs for the projects that were presented be financed entirely by the Fund. Ongoing maintenance costs associated with those projects would, however, be prorated in line with project delivery dates and were included in the regular budget, subject to the one-third/two-thirds cost-sharing arrangement between the Fund and the United Nations.

15. The Standing Committee noted that the supporting documents provided adequate justification to support the costs related to re-engineering identified in the budget estimates. The Committee also recognized that a large investment was necessary to support the Chief Executive Officer in his endeavour to modernize the Fund.

16. The Standing Committee agreed to support all expenditures for the projects as presented in the budget estimates for the biennium. With regard to the eight posts requested, however, the Committee approved five established posts and three temporary posts to be funded by general temporary assistance.

17. It was then noted that the re-engineering project was an important element of the Fund's new direction, but the time frames appeared very ambitious. In proceeding with the implementation of the projects presented, the Chief Executive Officer was requested to review the expectations for project delivery dates.

## C. Enhancement of the Geneva office

18. To meet the Fund's long-standing objective to continue improving the services provided to its clients, the enhancement of the role of the office in Geneva was initiated in the early 1990s. The intention was to take advantage of the office's geographical proximity and time zone, language commonality and familiarity with national and banking practices, regulations and laws in the region. In a note by the CEO/Secretary, the Standing Committee was informed of developments taking place since the interim progress report concerning the implementation of phase 1, was submitted to the Board in 2000. The note also addressed the request of the Standing Committee that a clear framework be developed for the transfer of functions and the redeployment of posts from New York to Geneva. It provided further detailed information on staff and non-staff costs for the office in Geneva and the benefits associated with the enhancement of that office, together with a qualitative and quantitative analysis of the cost-effectiveness, a cost comparison and performance delivery indicators, as had been requested by the Advisory Committee on Administrative and Budgetary Questions in the context of its consideration of the Fund's budget estimates for the biennium 2000-2001.

19. The transfer of added responsibilities assigned to the Geneva office in phase 1 in the biennium 2000-2001 had been initiated on 1 November 1999 and completed on 1 April 2000. The number of participants that the office was responsible for increased from 8,000 to 23,300 (12,100 from specialized organizations and 11,200 from United Nations entities). Under the phased approach endorsed by the Standing Committee during phase 2, in the biennium 2002-2003 the responsibility would

increase to cover 28,400 participants (17,200 from specialized organizations and 11,200 from United Nations entities), reflecting an increase of 5,100 participants from specialized agencies (the International Labour Organization and the United Nations Educational, Scientific and Cultural Organization). The implementation calendar for phase 2, as for phase 1, will be linked to the availability of corresponding staffing resources. Subsequently, during the biennium 2004-2005, it is intended to assign to the Geneva office the responsibility for the Food and Agriculture Organization of the United Nations (the final remaining member organization located in Europe) and possibly other entities, taking into account the number of participants and their geographical locations.

20. Under phase 1, the Geneva office's staffing resources grew from 12 positions approved for the biennium 1998-1999 to 17 positions for the biennium 2000-2001. The portion of the Fund's approved budget covering the Geneva office's staff and non-staff costs amounted to $3.4 million for the biennium 2000-2001. A comparative analysis was undertaken, utilizing United Nations standard costs, of the costs of the 17 posts in Geneva and the equivalent posts in New York. While the comparative costs fluctuate according to the exchange rate, for the year 2000 the Geneva staff costs were slightly lower than those in New York. The transfer of additional responsibilities under phase 2 was quantified to represent a need for two posts in the Participation, Entitlements and Contributions Section and two posts in the Records Management Unit of the Finance and Information Systems Section. The latter requirement was based on experience gained in the present biennium.

21. Under its quality service policy the Geneva office adopted a formal commitment in 1996 to process all new benefits within a maximum average of 15 calendar days after receipt from the employing organization of all required separation documents. This commitment has been met since 1996, including during the period of implementation of phase 1 (the average number of calendar days for processing in 2000 was nine days), and would be extended to the new member organizations (ILO and UNESCO) assigned to the Geneva office under phase 2.

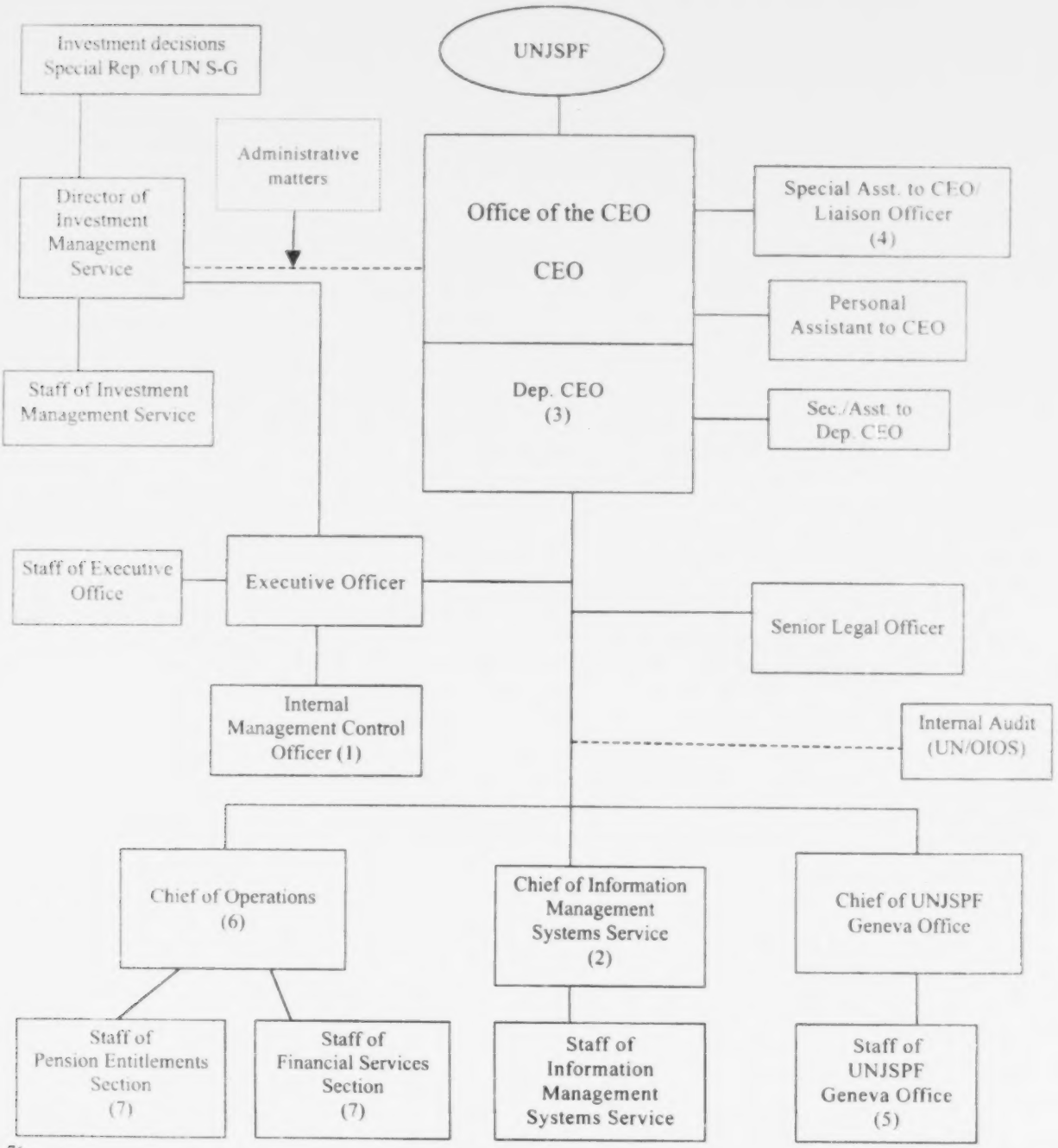
22. Participants' representatives expressed appreciation for the clarity and detailed statistical information in the document on the enhancement of the Geneva office and noted that similar information would be provided in future with respect to the Fund's operations in New York. They also reiterated their appreciation for the efficient manner in which the Geneva office was functioning.

23. The Committee agreed that the conversion of temporary posts to regular posts in the Geneva office was warranted but that the addition of four new posts, rather than the six requested, was justified.

## Annex VI

### United Nations Joint Staff Pension Fund organization chart, as proposed to the Standing Committee by the Chief Executive Officer

**(The numbers within parentheses refer to the notes on the following page.)**


UNJSPF
Investment decisions Special Rep. of UN S-G
Administrative matters
Director of Investment Management Service
Staff of Investment Management Service
Office of the CEO
CEO
Special Asst. to CEO/ Liaison Officer (4)
Personal Assistant to CEO
Dep. CEO (3)
Sec./Asst. to Dep. CEO
Staff of Executive Office
Executive Officer
Senior Legal Officer
Internal Management Control Officer (1)
Internal Audit (UN/OIOS)
Chief of Operations (6)
Chief of Information Management Systems Service (2)
Chief of UNJSPF Geneva Office
Staff of Pension Entitlements Section (7)
Staff of Financial Services Section (7)
Staff of Information Management Systems Service
Staff of UNJSPF Geneva Office (5)

**Notes to the organization chart**

(1) A new post (P-3) was requested to perform this new function; the Standing Committee denied the request.

(2) The Chief Executive Officer proposed that information technology (computer) support for the Fund secretariat be provided by a separate service reporting directly to the Office of the Chief Executive Officer, to be headed by a D-1 (the current Information Management Systems Section reports to the Chief of Operations and is headed by a P-5); the Standing Committee deferred action on this proposed restructuring. As regards posts, the Chief Executive Officer also requested the conversion of two General Service posts from temporary to established status, three new P-4 posts, three new P-3 posts and two new General Service posts; the Standing Committee approved the conversion of two General Service posts, one new and two temporary P-4 posts, two new and one temporary P-3 posts and two new General Service posts (1 to be filled in 2003).

(3) As part of the strengthening of the Office of the Chief Executive Officer, the CEO requested changing the level of the Deputy CEO from D-1 to D-2; the Standing Committee deferred action.

(4) For the same reasons as are set out in (3) above, the Chief Executive Officer requested reclassification of the post of Special Assistant to the CEO from P-4 to P-5; the Standing Committee deferred action.

(5) To strengthen the Geneva office, the Chief Executive Officer requested the conversion of one P-4 post and one General Service post from temporary to established status, and six new General Service posts; the Standing Committee approved the two conversions and four new General Service posts.

(6) The Chief Executive Officer requested a new General Service post to provide administrative support to the Chief of Operations; the Standing Committee denied the request.

(7) The Chief Executive Officer requested the reclassification of three posts from G-6 to G-7 (1 in the Pension Entitlements Section and 2 in the Financial Services Section); the Standing Committee deferred action.

# Annex VII

## United Nations Joint Staff Pension Fund statistics

**Fund statistics (1995-2000) as at 31 December**

| | *1995* | *1996* | *1997* | *1998* | *1999* | *2000* |
|---|---|---|---|---|---|---|
| Number of participants | 68 708 | 67 997 | 67 740 | 67 971 | 68 935 | 74 432 |
| Number of beneficiaries | 38 914 | 41 433 | 43 149 | 44 633 | 46 199 | 48 069 |
| **Subtotal** | **107 622** | **109 430** | **110 889** | **112 604** | **115 134** | **122 501** |
| Ratio (participants beneficiaries) | 1.8:1 | 1.6:1 | 1.6:1 | 1.5:1 | 1.5:1 | 1.5:1 |
| Employee contributions | $260 032 145 | $264 954 975 | $263 026 833 | $267 906 544 | $272 834 270 | $285 313 778 |
| Employer contributions | $517 518 358 | $535 782 481 | $524 463 230 | $533 885 385 | $543 823 112 | $569 233 081 |
| Total contributions | $777 550 503 | $800 737 456 | $787 490 063 | $801 791 929 | $816 657 382 | $854 546 859 |
| Total benefit payments | $788 780 095 | $915 073 197 | $883 717 490 | $927 980 457 | $1 069 584 133 | $1 029 116 358 |
| Contributions minus benefit payments | -$11 229 592 | -$114 335 741 | -$96 227 427 | -$126 188 528 | -$252 926 751 | -$174 569 499 |
| Market value (billions of United States dollars) | $15.2 | $16.9 | $18.5 | $21.8 | $25.6 | $23.8 |

## Member organizations

| Organization | Number of participants | | | | | |
|---|---|---|---|---|---|---|
| | 1993 | 1996 | 1997 | 1998 | 1999 | 2000 |
| United Nations | 44 059 | 43 869 | 43 864 | 43 751 | 44 958 | 50 126 |
| International Labour Organization | 2 823 | 2 632 | 2 599 | 2 620 | 2 612 | 2 650 |
| Food and Agriculture Organization of the United Nations | 5 735 | 5 540 | 5 435 | 5 387 | 5 340 | 5 315 |
| United Nations Educational, Scientific and Cultural Organization | 2 561 | 2 667 | 2 588 | 2 650 | 2 629 | 2 452 |
| World Health Organization | 6 125 | 5 965 | 5 935 | 6 180 | 6 409 | 6 817 |
| International Civil Aviation Organization | 820 | 826 | 852 | 852 | 841 | 867 |
| World Meteorological Organization | 333 | 316 | 312 | 314 | 327 | 329 |
| General Agreement on Tariffs and Trade[a] | 476 | 538 | 529 | 542 | 7 | 4 |
| International Atomic Energy Agency | 2 146 | 2 057 | 2 053 | 2 075 | 2 068 | 2 076 |
| International Maritime Organization | 315 | 324 | 323 | 310 | 315 | 325 |
| International Telecommunication Union | 908 | 885 | 905 | 921 | 965 | 953 |
| World Intellectual Property Organization | 611 | 672 | 712 | 807 | 955 | 1 033 |
| International Fund for Agricultural Development | 302 | 295 | 298 | 332 | 338 | 344 |
| International Centre for the Study of the Preservation and Restoration of Cultural Property | 29 | 31 | 29 | 32 | 35 | 37 |
| European and Mediterranean Plant Protection Organization | 10 | 11 | 11 | 12 | 12 | 12 |
| United Nations Industrial Development Organization | 1 455 | 1 163 | 1 064 | 921 | 851 | 810 |
| International Centre for Genetic Engineering and Biotechnology | n/a | 136 | 138 | 141 | 142 | 145 |
| World Tourism Organization | n/a | 70 | 72 | 74 | 78 | 79 |
| International Tribunal for the Law of the Sea | n/a | n/a | 18 | 20 | 25 | 27 |
| International Seabed Authority | n/a | n/a | 3 | 30 | 28 | 31 |
| **Total number of participants** | **68 708** | **67 997** | **67 740** | **67 971** | **68 935** | **74 432** |
| **Total number of member organizations** | **16** | **18** | **20** | **20** | **19** | **19** |

[a] The General Agreement on Tariffs and Trade withdrew from the United Nations Joint Staff Pension Fund as from 31 December 1998; however, certain former participants have not yet made a benefit election.